# FINANCIAL TIMES

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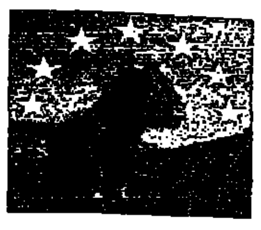

**EU agriculture**
Has Bonn killed another chance for reform?
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**The interim ceo**
'You have a licence to initiate rapid change'
Management, Page 12

**Germany**
At the brink of crisis, Lafontaine flounders
Page 17

**Genes and crops**
Monsanto faces opposition in India
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## WORLD NEWS

### China detains author in move to tighten control

Chinese authorities have detained the author Wang Lixiong, as the government moves to tighten control over the media and publishing in a sensitive anniversary year. Mr Wang, 45, whose most famous book *Yellow Peril* predicted civil war and the collapse of the Communist party, has been held in the northwestern region of Xinjiang for around a month, his family said. Page 18

**Kosovo leaders 'agree peace deal'**
Kosovo Liberation Army commanders said yesterday the ethnic Albanian rebel leadership had approved the peace accord negotiated at talks in France last month and authorised its signing. **Europe, Page 3**

**East Timor talks delayed**
Indonesia is delaying negotiations of the status of East Timor by six weeks, a move interpreted by diplomats as possible backtracking and a victory for hardliners in the government. **Asia-Pacific, Page 8**

**Bonino seeks Italian presidency**
Emma Bonino, one of Italy's European Commissioners, launched a campaign to become president of the Italian republic. **Europe, Page 2**

**BJP backtracks on Bihar**
India's BJP coalition government reinstated the elected government of the conflict-ridden northern state of Bihar to avoid losing a parliamentary vote on the issue. **Asia-Pacific, Page 8**

**Outbreak kills 28 in Malaysia**
Malaysia is struggling to contain an outbreak of Japanese encephalitis, which officials suspect has killed at least 28 people. **Asia-Pacific, Page 8**

**Joe DiMaggio dies at 84**
Former baseball player Joe DiMaggio, once married to Marilyn Monroe, has died at the age of 84. **Obituary, Page 7**

**Euro-zone problems mount**
The European Central Bank is finding monetary policy more difficult now that euro-zone economies are showing signs of divergence, particularly in Germany. **Europe, Page 2**

**Blair call for stronger armies**
British prime minister Tony Blair called on Europe to strengthen its military capabilities to be able to deal with regional security problems. **Europe, Page 2**

**German farm stance hits talks**
Germany's apparent change of heart over reform of the European Union's farm policy has left negotiators in Brussels baffled. **Europe, Page 2; Miert clampdown, Page 17**

**High hopes for Mexico accord**
The European Union and Mexico began a third round of talks in Brussels with high hopes of securing a free trade accord. **World trade, Page 4**

**'Terminator' costs minister his job**
Japanese justice minister Shozaburo Nakamura resigned after revelations that he kept an immigration document signed by the actor Arnold Schwarzenegger last year after he landed in Osaka without a passport. **Asia-Pacific, Page 6.**

## BUSINESS NEWS

### Telecom Italia set to go on offensive against Olivetti bid

Telecom Italia is poised to go on the offensive against the hostile bid from Olivetti, signalling that it was preparing to compete with its smaller telecoms rival in the syndicated loan market. **Companies and Markets, Page 19; Bid defence, Page 22**

**Fortis** of Belgium has agreed to buy American Bankers Insurance, the Miami-based credit insurer, in a stock swap valued at about $2.7bn. **European companies, Page 22; Lex, Page 18**

**Japan's largest banks** pledged to cut 21,000 jobs in exchange for receiving about Y7,450bn ($60bn) of public funds to boost their capital base. **Page 18**

**CIT Group** of New Jersey is to acquire Newcourt Credit Group of Toronto, another commercial finance and leasing company, in a stock swap valuing the combined company at $9bn. **Companies and Markets, Page 19**

**Ford**, the US carmaker, announced plans for an expansion in luxury cars following its acquisition of the cars arm of Volvo of Sweden. **Companies and Markets, Page 19**

**BMC Software**, the Houston-based software group, has agreed to buy New Dimension Software of Israel for more than $650m in stock. **US companies, Page 23**

**Microsoft**, the software company, is set to announce a venture with Chinese information technology leaders to bring access to the internet to millions of television viewers. **Asia-Pacific, Page 8**

**Yahoo!Japan**, the internet company, expects to post unconsolidated pre-tax profits of Y270m ($2.2m) – a leap of 106 per cent. **Asia-Pacific companies, Page 20**

**TIAA-Cref**, the largest US pension fund, has won agreement from semiconductor manufacturer Advanced Micro Devices to increase the independence of its board of directors. **US companies, Page 23**

**Mitsubishi Corporation** of Japan has set up a $1.24bn credit line with a syndicate of 18 foreign banks. **Companies and Markets, Page 19**

**Siemens**, the German telecoms equipment maker, expects to acquire more small US technology companies. **Companies and Markets, Page 19**

**Homestake Mining**, the US-based goldmining group, is to acquire Vancouver-based exploration group Argentina Gold in a share-swap deal worth US$200m. **US companies, Page 23**

**Morphosys**, a German biotechnology company, is expected today to become the first in its sector to trade on Germany's Neuer Markt exchange. **European companies, Page 22**

**Euro Prices**
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 27

# Intel strikes last-minute deal to settle antitrust case

## Chipmaker describes agreement with FTC as 'win-win' for both parties

By Richard Wolffe in Washington and Louise Kehoe in San Francisco

Intel struck a last-minute deal with US antitrust officials yesterday over allegations that the world's largest chipmaker sought to bully its customers into handing over their technology rights.

With the company's monopoly trial due to start in Washington today, officials at the Federal Trade Commission said they had "won the relief they wanted".

However, Craig Barrett, Intel president and chief executive, described the deal as "win-win for both parties". The company said it was pleased to avoid a long and expensive trial.

Intel's shares jumped on news of the settlement. In mid-session trading they stood at $118$\frac{1}{16}$, up $3$\frac{1}{16}$ on Friday's close, a rise of more than 3 per cent.

The FTC accused Intel of withholding prototype chips and technical information from three customers – Intergraph, Compaq Computer and Digital Equipment Corporation – in an attempt to obtain access to their technology.

Intel argued it was merely defending itself against lawsuits filed by the three companies and that it possessed the right to control the sale and release of its own technology.

Mr Barrett said the settlement "gives us value for our intellectual property rights". Intel's concern was that it might be required to license its intellectual property to third parties, whether or not it was compensated.

The company insisted yesterday it had not acknowledged that it held a monopoly in the market for microprocessor chips. This was a central issue in the case.

In its lawsuit filed last June, the FTC asked an administrative law judge to order Intel to "cease and desist from directly or indirectly discriminating" in its supply of microprocessors, prototypes and technical assistance.

Intel was only free to treat its customers differently "on legitimate business considerations", not simply because those customers were competitors or refused to license their own technology.

Lawyers from both sides filed a motion to withdraw the lawsuit yesterday, after three weeks of talks ended late on Sunday. FTC commissioners are expected to approve the settlement within days, but both sides refused to give details of the terms.

FTC staff warned there were further grounds for investigating possible antitrust abuses by Intel. William Baer, director of the FTC's bureau of competition, said: "There are remaining issues under investigation."

Intel said it was continuing to co-operate with the FTC's broader investigation of its business practices, which began in September 1997. "We continue to believe that our behaviour is lawful," the company said.

Antitrust lawyers described the FTC's case against Intel as "unprecedented". In particular, they pointed to the FTC's efforts to establish a code of conduct not only towards Intel's competitors but also its customers.

Intel appeared to have a strong defence by arguing that its actions had not harmed consumers at a time when it faces aggressive competition in lower-priced microprocessors.

Reluctant protagonists, Page 7
Rear windows, Page 16
Lex, Page 18

The UK's Northern Ireland secretary, Mo Mowlam, and Irish foreign minister David Andrews shake hands after signing treaties to establish the north-south ministerial council in Dublin yesterday. Report, Page 10 PA

# WTO urges EU and US to resolve banana dispute

By Frances Williams in Geneva

World Trade Organisation members yesterday urged the US and the European Union to resolve their quarrel over bananas, saying the stand-off was undermining the authority of the dispute-settlement system.

At an emergency meeting called by the EU, some WTO members criticised a US move last week to impose conditional sanctions on a wide range of European goods. The UK has been especially critical because the targeting appears to hurt British exporters more than those in other EU countries.

Renato Ruggiero, WTO director-general, appealed to both sides to reach a mutually acceptable settlement "in conformity with the letter and the spirit of the system".

However, Rita Hayes, US ambassador to the WTO, said that in calling the meeting, the EU was trying to divert attention from its failure to implement banana rulings.

The US argues that the EU's banana import regime, which favours fruit from African, Caribbean and Pacific producers, discriminates against US distributors of Latin American bananas, despite "cosmetic" changes made in response to previous WTO rulings.

The EU, with the support of many WTO members, says Washington is acting illegally in imposing what amount to trade sanctions. It has urged Washington to wait for the WTO to rule on the EU's new banana import arrangements, introduced on January 1, and for it to decide what sanctions the US can levy.

EU officials said the US move to require importers of $520m of European goods to post bonds equivalent to 100 per cent duties was "unjustified" and set a dangerous precedent.

Washington maintains that it is acting within its WTO rights, after a WTO panel of arbitrators said it needed more time to assess the extent of retaliation. The panel, which is also examining the EU's banana regime for compliance, is expected to report on both issues towards the end of March.

EU officials admitted that its amended banana import arrangements were unlikely to be given a clean bill of health. "They will find probably something out of line," said Rod Abbott, the EU's WTO ambassador.

He noted, however, that WTO-authorised sanctions must be equivalent to the trade loss from non-compliance. "I don't expect the answer to be zero because this is a political process as well," he said, while noting that it would not be the $520m the US has claimed either.

Mr Abbott repeated that the EU would change its arrangements if told to do so by the panel which, for the first time, has been asked to make recommendations on how Brussels should bring its regime into line with WTO rules.

Banana warriors, Page 4
Letters, Page 17

# US agrees to back IMF programme to support Brazil

By Stephen Fidler in Washington

The US government will provide financial backing for a new agreement between Brazil and the International Monetary Fund, it made clear yesterday.

The agreement should allow for the release of up to $9bn of IMF and other resources under a programme first agreed last November, but which had to be renegotiated following the devaluation of the Real, Brazil's currency, in January.

Since January, the Real has depreciated by more than 35 per cent and the IMF programme is designed to arrest a further slide and prevent a resurgence of inflation.

The US support for the programme indicates some mending of fences between Brazil and Washington, where officials were angered by a lack of consultation over the devaluation.

When the programme was announced in November, the US said it would provide $5bn from its Exchange Stabilisation Fund to back the $18bn contribution from the IMF. It was not clear which other governments of the 20 that backed the November programme would provide money for the second part of the plan.

Washington is keen to minimise the impact of the Brazilian devaluation on other economies in the region, particularly Argentina and Mexico. A statement from the Treasury yesterday was expected to emphasise the importance of private sector lenders to the success of the Brazilian programme.

US officials are understood to have been talking to international bankers in an attempt to persuade them to support the programme.

To encourage private lenders not to withdraw credit from the country, Brazilian officials led by Pedro Malan, finance minister, are due to embark on a trip to the financial centres in New York, London, Paris, Frankfurt and Tokyo this week.

Brazil has committed itself under the agreement to a primary budget surplus – before interest payments – equivalent to 3.1 per cent of gross domestic product this year. The decision to target the primary budget surplus – rather than the overall deficit including interest payments – came at the insistence of the government. It means the IMF budget targets are not directly affected by decisions to raise interest rates in defence of the currency.

The programme expects a decline in GDP of 3-4 per cent this year, and an inflation rate for the whole year of 17 per cent. This should have fallen to 0.5 to 0.7 per cent a month by the last quarter of the year.

## WORLD MARKETS

| | | |
|---|---|---|
| **STOCK MARKET INDICES** | | |
| New York: lunchtime | | |
| Dow Jones Ind Av | 9,699.31 | (-36.77) |
| NASDAQ Composite | 2,367.78 | (+30.67) |
| Europe and Far East | | |
| CAC40 | 4,175.97 | (-13.59) |
| DAX | 4,788.69 | (-50.40) |
| FTSE 100 | 6,208.8 | (+3.3) |
| FTSE Eurotop 300 | 123 | (-8.77) |
| Nikkei | 14,779.05 | (-114.95) |
| **US LUNCHTIME RATES** | | |
| Federal Funds | 4.812% | |
| 3-mth Treas Bills: Yld | 4.633% | |
| Long Bond | 95$\frac{1}{16}$ | |
| Yield | 5.591% | |
| **OTHER RATES** | | |
| UK: 3-mo Interbank | 5$\frac{13}{16}$% | (same) |
| UK: 10 yr Gilt | 109.73 | (109.99) |
| Euro Euribor | 3.093% | (3.104) |
| Germany: 10 yr Bund | 97.65 | (97.83) |
| Japan: 10 yr JGB | 101.389 | (101.911) |
| **NORTH SEA OIL (Argus)** | | |
| Brent Dated | $11.535 | (11.10) |

| | | |
|---|---|---|
| **GOLD** | | |
| New York Comex | | |
| (Mar) | $291.7 | (288.5) |
| London: | $289.55 | (288.45 |
| **DOLLAR** | | |
| New York lunchtime | | |
| £ | 1.6082 | |
| € | 0.9187 | |
| SFr | 1.4639 | |
| Y | 121.96 | |
| London: | | |
| £ | 1.6076 | (1.6097) |
| € | 0.9189 | (0.9216) |
| SFr | 1.4639 | (1.4673) |
| Y | 121.925 | (122.27) |
| Tokyo close: | | Y 122.34 |
| **EURO (London)** | | |
| $ | 1.0883 | (1.0918) |
| £ | 0.6769 | (0.6741) |
| Y | 132.685 | (132.666) |
| SFr | 1.5931 | (1.5921) |



Euro-zone target price €2.15. Prices in local currency as shown

| | | | | | |
|---|---|---|---|---|---|
| Bahrain | Din1.300 | Iceland | IKr285 | Oman | OR1.75 |
| Belgium | BFr90(€2.23) | Italy | L3900(€2.01) | Poland | Zl 10.00 |
| CIS | US$4.00 | Jordan | JD1.75 | Portugal | Esc320(€1.60) |
| Croatia | Kn19.00 | Kuwait | KWD0.750 | Qatar | QR13.00 |
| Denmark | Dkr16.00 | Latvia | La1.65 | South Africa | R16 |
| Estonia | EKr34.00 | Lithuania | Lt21.00 | Spain | Pta325(€1.95) |
| Finland | Fmk13.00(€2.19) | Lebanon | LBP3,500 | Sweden | SKr20.00 |
| France | FFr14.00(€2.13) | Luxembourg | LFr90(€2.23) | Switzerland | SFr3.50 |
| Gibraltar | £0.85 | Morocco | Dh18.00 | Syria | S£80.00 |
| Greece | Dr500 | Netherlands | Fl 4.80(€2.18) | Tunisia | Din2.000 |
| Hungary | Ft380 | Norway | NKr19.00 | UAE | Dh13.00 |

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## CONTENTS

# Germany's change of heart over CAP reform leaves Brussels baffled

Negotiations towards an ambitious overhaul of the European Union's farm aid regime for 2000 to 2006 reach a crucial stage today. But many of the proposals have been watered down, much to the chagrin of the Commission. **Michael Smith** reports

Is the biggest reform of the European Union's farm aid regime in 37 years slipping from the grasp of member countries?

The question arises as farm ministers gather in Brussels today for what could be the culmination of more than 18 months of negotiations to agree a Common Agricultural Policy for 2000 to 2006.

Germany, the EU's most powerful state, last week shocked fellow governments by proposing a diluted reform which would leave the highly regulated milk regime untouched and reduce suggested price cuts for beef and cereals.

The European Commission, architect of the reforms, is baffled. Until Friday Germany had, as holder of the EU presidency, appeared to be fully behind fundamental change. "We had no forewarning," said a *Commission official*. "There was total confusion".

So how serious is Germany's apparent change of heart?

Its two-page blueprint on Friday suggested that price cuts for beef be limited, until a 2002 review at least, to 20 *per cent, rather than the* Commission's 30 per cent original proposal. Cereal cuts could be limited to 10 per cent, against the Commission's 20 per cent, and milk left untouched until 2006.

It came at the end of a week in which France had piled the pressure on Bonn to help water down the reforms.

To the two countries' EU partners, it looked as though French lobbying had paid off and that the Franco-German alliance which has dominated policy making of the CAP since its birth in 1962 was back in business.

**Germany's paper made it clear that the driving force behind its desire to dilute the reforms was money**

Paris believes that much of what the Commission proposes is unnecessary but – *until Friday – it had been* looking increasingly isolated in its opposition.

If Germany has really reverted to the anti-reform position it held before the election of Gerhard Schröder last September, the two countries could rally support *from countries such as* Belgium and Luxembourg, which are also sceptical about reform but in recent weeks had been preparing to accept it as inevitable.

Germany's paper made it clear that the driving force behind its desire to dilute the reforms was money.

Limiting the price cuts would cut the amounts the EU needs to pay farmers as compensation.

Bonn's suggestions would save €16.6bn ($18bn) over the seven years and meet demands from heads of government for a freeze in farm spending at the €40.5bn of 1999.

There are other ways of saving money. But France is determined to avoid *"co-financing"* – the idea that member states pick up some of the bill for the CAP – and Germany itself does not like France's alternative of cutting direct payments to farmers progressively over time.

The problem is that *Germany's dilution proposal* is unpalatable to other countries, many of whom favour France's idea of cutting aid to farmers for the very reason that it is radical and can deliver real and ever-increasing savings.

Traditional reformers like the UK, Denmark and Sweden are horrified by Germany's proposals and would block any move to implement them.

Italy is among other countries increasingly attracted to change. "The status quo is unacceptable," said Massimo D'Alema, the prime minister, in a letter to Mr Schröder last week. A substantial reform was needed.

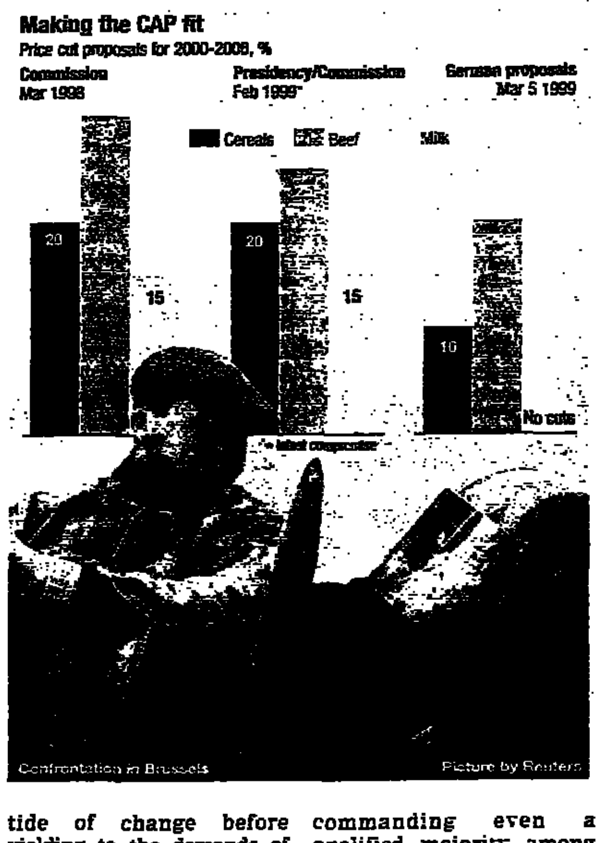
But Germany's most *vociferous opponent could be* the Commission itself which has long argued that reform is needed to enable the EU to expand to include the agriculturally-intensive countries of eastern Europe and to expand exports. Any economies made by diluting *reform* would be false, it argues, since limited price cuts would force the EU to buy more food from farmers.

Commission officials are hoping, however, that Germany's paper last Friday is merely a last hurrah against reform, designed to *allay its farmers and France* that the government had tried its hardest to stem the tide of change before yielding to the demands of other countries.

Germany's initiative was made as one of 15 EU countries and not in its role of EU president. One possibility is that it is trying to show other member states that a deal faces everyone with uncomfortable choices and that farm ministers will have to think more seriously about how they should save money.

German officials *acknowledge that their* country's latest proposals are not capable of commanding even a qualified majority among member states, let alone the unanimous support that will eventually be required. But then that is true of other proposals, including those backed by the Commission.

Some big compromises will be needed in the talks expected to go on most of the week and perhaps beyond. Radical reform is not yet off the agenda but, following Germany's intervention, the *Commission's task in getting* through all it wants looks a deal more difficult.



Confrontation in Brussels
Picture by Reuters

# Spain's power payment plan irks Brussels

By David White in Madrid

European competition authorities are seeking changes in Spanish plans for the power sector that would give the main electricity companies immediate payments of €8.2bn ($8.7bn) to compensate them for rapid deregulation.

Amid political controversy in Spain over the compensation package, Josep Piqué, industry minister, is expected to discuss the plan in Brussels tomorrow with Karel Van Miert, the competition commissioner. Madrid officials would neither confirm nor deny the planned meeting.

Spain, among the European Union countries to have moved furthest towards liberalising the electricity sector, wants to keep the main lines of its plan intact so it can pursue its agreement with power generators. But European Commission officials are worried Spain's plan may set a precedent for other EU members as they, too, open up their electricity markets.

Brussels is asking Madrid to justify the total of about €8bn it says is required to reimburse the "stranded costs" of existing power companies. *These are costs incurred under the country's* previous, highly regulated system, which the companies are unlikely to recover in a fully competitive market.

The Commission regards the plan, which would pay these costs through a 4.5 per cent levy on all electricity bills over the next 15 years, as tantamount to state aid.

Under the scheme, €8.2bn of the total would be sold as securities, enabling the companies to receive the money immediately. The plan would benefit the privatised Endesa group and its private-sector competitors Iberdrola, Unión Fenosa and Hidrocantábrico.

The centre-right government is seeking a separate decision from Brussels authorising its scheme, without waiting for other EU members to submit their plans.

Mr Van Miert is expected to insist on a review clause, making the Spanish companies pay back part of the money if it is later judged excessive. Alternatively, he could ask for payments to be made in tranches.

The Spanish government argues that the scheme enables it to speed liberalisation and to continue cutting electricity prices. But Brussels is not alone in its criticisms. Spain's Socialist opposition has attacked the compensation package as a gift to the companies at consumers' expense.

**MONETARY POLICY** DIVERGENT GROWTH RATES ARE COMPLICATING DECISION-MAKING

# ECB faced with conflicting signals across the euro-zone

**ECB watch**

By Wolfgang Münchau in Frankfurt

Monetary policy in the euro-zone is proving anything but straightforward. After a period in which the indicators for the 11 euro-economies pointed in the same direction, the European Central Bank (ECB) now finds itself confronted with conflicting signals.

Some of these apply across the zone as a whole. The euro-zone economy is slowing at the same time as the money supply is expanding. The currency is weakening, yet there is continued disinflation.

The most awkward conflict, however, is the discrepancy between economic growth in the euro-zone as a whole, and within Germany in particular.

Germany constitutes about one-third of the euro-zone economy and both economies slowed down in the fourth quarter of last year.

But while the euro-zone slowed moderately, with quarterly growth rates at 0.2 per cent, according to recent estimates by Eurostat, the EU's statistics bureau, the German economy contracted 0.4 per cent in the same period.

Wim Duisenberg, ECB president, acknowledged last week that the divergent growth rates were complicating the setting of monetary policy.

The ECB is obliged to conduct monetary policy with a view to the euro-zone as a whole, rather than to individual countries. But this approach carries the risk that monetary policy may be inappropriate for individual countries.

The differing growth rates suggest that last year's international economic turmoil may have created an asymmetric shock for the euro-zone, one that affected Germany more than the rest.

In this case, the economic and monetary union's one-size-fits-all monetary policy may turn out to be unsuitable for Germany.

This would be a surprise. Previously, most critics had feared that so-called "peripheral" countries, such as Ireland and Portugal, would be most at risk from asymmetric shocks.

The assumption was that the sheer weight of a "core" economy such as Germany would cause it by default to determine monetary policy in the euro-zone.

With inflation just above zero and sluggish economic growth, Germany now faces relatively high real interest rates: actual interest rates adjusted for inflationary expectations.

Economic indicators for euro-11 countries

| | Dec 1998 | Nov 1998 | Oct 98 | Sep 98 | Aug 98 | Jul 98 | 97 | 96 |
|---|---|---|---|---|---|---|---|---|
| Inflation (annual % change) | 0.8 | 0.9 | 1.0 | 1.0 | 1.2 | 1.4 | 1.6† | 2.2† |
| Unemployment (%) | 10.8 | 10.8 | 10.8 | 10.9 | 11.0 | 11.0 | 11.6 | 11.6 |
| Trade (Ecu bn) | | | | | | | | |
| Exports | n.a. | 66.0 | 68.7 | 65.6 | 58.2 | 72.6 | 760.8 | 667.7 |
| Imports | n.a. | 59.5 | 61.4 | 60.4 | 49.7 | 58.9 | 671.4 | 594.2 |
| Trade balance | n.a. | 6.5 | 7.2 | 5.2 | 8.4 | 13.6 | 89.4 | 73.5 |
| Current account (Ecu bn) | Q3 1998 | Q2 98 | | Q1 98 | | Q4 97 | Q3 97 | |
| Current account balance | 21.8 | 25.0 | | 12.4 | | 28.6 | 26.0 | |
| As % of GDP | 1.5 | 1.7 | | 0.9 | | 2.0 | 1.9 | |
| Industrial production (%) (3 mo over previous 3 mo) | Oct-Dec/ Jul-Sep | Sep-Nov/ Jun-Aug | | Aug-Oct/ May-Jul | | Jul-Sep/ Apr-Jun | 1997 | 1996 |
| | -0.3 | 0.0 | | 0.1 | | 0.2 | 4.1†† | 0.0†† |
| GDP growth (%) | Q3 1998 | Q2 98 | | Q1 98 | | Q4 97 | 97 | 96 |
| Over same quarter last year | 2.7 | 2.9 | | 3.7 | | 3.1 | 2.5 | 1.6 |
| Money supply | Jan 1999 | Dec 1998 | Nov 1998 | | Oct 98 | Sep 98 | | Aug 98 |
| M3 Annual growth rate (%) | 5.7 | 4.5 | 4.6 | | 4.8 | 4.4 | | 4.3 |

* Provisional — Estimated † Estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones †† Annual % change
Source: Eurostat

The ECB recently estimated real interest rates at about 2.3 per cent for the euro-zone as a whole, while in Germany, real interest rates are about 3 per cent.

This leaves a gap of 0.5-1 per cent, a discrepancy that grows larger if one compares Germany with the rest of the euro-zone (excluding Germany).

Critics of the euro have long warned that the one-size-fits-all policy may end up fitting nobody. But it remains unclear if the divergence between Germany and the rest of the euro-zone is only temporary, in which case it has limited significance, or whether it is endemic.

In the latter case, European interest rates would be for ever wrong, no matter what action the ECB takes.

The ECB will probably cut interest rates before the summer, maybe by one quarter of a percentage point.

But this would not be enough to stimulate the German economy.

# Bonino launches push for president of Italy

By James Blitz in Rome

Emma Bonino, one of Italy's two European Commissioners, yesterday launched a high profile campaign to become president of the Italian republic – the country's head of state – when the job becomes vacant in a few months' time.

Ms Bonino, one of the leading figures in Italy's Radical party, is thought to have little chance of taking the presidency, a seven-year post voted on by members of the two houses of Italy's parliament.

It is likely to go to someone nearer the political centre ground.

But her "Emma for president" campaign (launched yesterday with big advertisements in national newspapers and accompanied by a request for public support) is seen as a fresh attempt to highlight the way the candidate for the leading post in the Italian political establishment is selected.

"I'm running for the presidency if it means working to restore legality and the rule of law in Italy," said Ms Bonino, whose term as European Commissioner for fisheries, consumer policy and humanitarian aid expires at the end of 1999.

"The Quirinale [the seat of the presidency] is the clearest example of the breakdown of rules in Italy."

The president of the republic, currently Oscar Luigi Scalfaro, has a powerful influence over Italy's fragmented political scene.

He appoints prime ministers, dissolves parliament and pushes delicate political or moral issues to the top of the national agenda.

But haggling over the next incumbent is once again being conducted behind the closed doors of Rome's party headquarters.

Some of Ms Bonino's supporters believe her candidacy can exploit Italians' growing public disenchantment with the undemocratic nature of the election and with the instability of Italian politics, so often driven by backroom deals between tiny parties.

It is too early to guess who will win the presidency. Among the candidates said to be in the running are Nicola Mancino, current speaker of the Senate; Giuliano Amato, former prime minister; and Rosa Russo Jervolino, interior minister. The names of *Antonio* Fazio, the Bank of Italy governor, and Carlo Azeglio Ciampi, treasury minister, are also occasionally mentioned.

# Reichstag debate centres on what's in a name

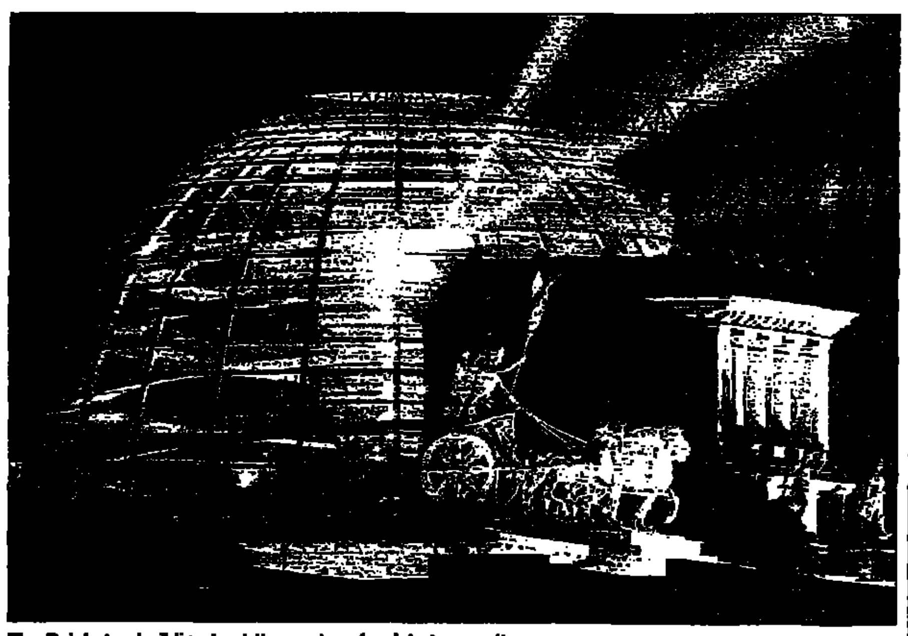
By Frederick Studemann in Berlin

Choosing appropriate names for monuments, streets or public buildings is tricky at the best of times. In Berlin, where the many ghosts – and few angels – of German history lurk on every street corner, the selection of names is a particularly agonising process.

Take the case of Germany's once-and-soon-to-be-again parliament, a somewhat ungainly building in the city centre. To Berliners and visitors alike the building's name is obvious: the *Reichstag*. That is what it was called when it was built in the late nineteenth century for the deputies of the new Reich, or empire, created by Bismarck's unification of Germany. The name survived the demise of the imperial family after the first world war and the formal dissolution of the Reich itself after the second world war.

But now, as the German government prepares to move from Bonn to Berlin, the name of the parliament building is an issue of vexed debate. On the one side *stands parliament's management* committee, which last week decided that street signs leading to the building should read "Deutscher Bundestag", or "German federal assembly". That is the name of the lower chamber of parliament itself.

On the other side, however, stands a broad cross-section of politicians, led by Chancellor Gerhard Schröder, which argues that the Reichstag should keep its historic name.


The Reichstag building is at the centre of a debate over its name Reuters

Mr Schröder said in an interview at the weekend that the name "Reichstag" was widely accepted. Retaining the name for the building did not mean parliament itself would revert to the, historically-tainted and expansive, title. The chancellor said *Germans should not* to be "too uptight" about confronting their history. There were other examples of institutions and buildings carrying different names, not least the Bundestag itself which for a while was housed in the "Wasserwerk", a former water-works.

In east Berlin the renaming of countless streets which under communism carried the names of Party heroes, such as Lenin, has been the cause of bitter debate about whether the relics of a difficult history should be adjusted for current taste or allowed to stand. Similar debate has surrounded buildings associated with the Nazi period.

Mr Schröder himself will initially run the country from what used to be communist East Germany's state council building.

The debate appears to have been won by those who *argue that the* move to Berlin offers Germany a chance not just to face up to its history, but also to move on. When Oskar Lafontaine, the finance minister, moves to Berlin, his desk will be in a building that has housed the headquarters of Göring's Luftwaffe, several communist ministries and the head office of the Treuhandanstalt, the agency charged with privatising east German industry in the 1990s.

Joschka Fischer, the foreign minister, will work in a building which, under the Nazis, housed the Reichsbank and later was the communist party headquarters.

● Chancellor Gerhard Schröder sought yesterday to put relations with the Czech republic on a new basis and draw a line under claims and acrimony arising from the post-war expulsion of Sudeten Germans from Czech lands, writes Ralph Atkins in Bonn. After a meeting with Milos Zeman, the Czech prime minister, Mr Schröder described the period as a "closed epoch".

# Lafontaine softens tax stance

By Ralph Atkins in Bonn

Oskar Lafontaine, Germany's finance minister, said yesterday he would change his controversial tax reform plans if the government had "significantly misjudged" the impact on particular sectors of business.

His comments came ahead of a meeting today between Gerhard Schröder, the chancellor, and representatives of the energy industry. This says it faces DM25bn (€12.8bn, $13.8bn) in extra costs under the tax plans, which will help finance cuts in tax rates for individuals through a DM20bn giveaway from 2002.

Energy leaders have threatened to quit talks on the government's plans for withdrawing from nuclear power if the tax reforms are not changed.

Mr Lafontaine said industry benefited from tax giveaways to the tune of DM50bn under the previous government of Chancellor Helmut Kohl, and his aim was to redress the balance in favour of workers and families. He also argued that threats by large corporations to move abroad rather than pay the new taxes would only be plausible if there was evidence that the effective tax burden on big German companies was higher than in other countries.

Yesterday, however, he softened his message, saying that if the government had miscalculated the new tax burden it would only be "fair" to make changes later.

Steering an uncertain course, Page 17

# Blair calls on Europe to boost military role

By Alexander Nicoll, Defence Correspondent

Tony Blair, the UK prime minister, yesterday called on Europe to strengthen its military capabilities so that it can assume greater responsibility for dealing with regional security problems.

In a speech at the Royal United Services Institute in London, he spelled out in greater detail than previously what he would like to see emerging from an initiative on European defence he launched last year.

Though US engagement in European security remained essential, the European Union "should be able to take on some security tasks on our own," he said.

While it would be "foolish and wasteful" to duplicate Nato military structures, "those structures and assets need to be more readily available for European-led operations and we need to be able to rely on them being available."

Mr Blair's explicit endorsement of a stronger defence role for the EU falls in with views long held in Bonn and Paris, though diplomats said the issue of duplication remained a problem because of France's absence from the Nato military command structure.

Mr Blair said he expected Nato's 50th anniversary *summit in Washington next* month to endorse the next steps towards building a European security structure.

"Europe's military capabilities at this stage are modest – too modest," he said. Too few allies were transforming their armed forces.

The need was "to restructure our defence capabilities so that we can project force, can deploy our troops, ships and planes beyond their home bases and sustain them there, equipped to deal with whatever level of conflict they may face".

The UK emphasis on mobility and flexibility away from Cold War-dictated military structures reflects changes in Britain's armed forces announced last year following a strategic defence review.

Rudolf Scharping, German defence minister, agreed on the need to avoid dual EU/Nato military structures and called for the development of European strategic reconnaissance and air transport capabilities within Nato.

He sought the "rapid merger" of the Western European Union, a little-used security organisation, into the EU.

But Mr Blair said: "European defence is not about new institutional fixes. It is about new capabilities, both military and diplomatic."

Deployment of forces would remain a decision for governments rather than any European body.

Following the Anglo-French agreement at St Malo last December, he *hoped a European Council* meeting in Cologne in June would produce an agreement, "giving the EU a direct role and a close working relationship with Nato".

## NEWS DIGEST

### HOPE RISES OVER KOSOVO

## Ethnic Albanian leaders 'approve peace deal'

Kosovo Liberation Army (KLA) commanders said yesterday the ethnic Albanian rebel leadership had approved the peace accord negotiated at talks in France last month and authorised its signing. A US spokesman said the KLA's commitment to the accord was communicated to US envoy Chris Hill at a meeting in Kosovo, but he said it was still not clear when the KLA would actually sign.

If the KLA signs the accord, the US will step up pressure on Serbia to follow suit when peace talks resume next Monday. In Belgrade yesterday, Slobodan Milosevic, Yugoslav president, held to his hardline position, telling Joschka Fischer, German foreign minister, that no foreign troops would be allowed in Kosovo. Mr Fischer left empty-handed and hopes of achieving a breakthrough with Serbia now rest on US negotiator Richard Holbrooke who, Mr Milosevic said, would come to Belgrade today.

A KLA delegation is due in the US this week to discuss military implementation of the peace plan, which includes disarming the rebel army. **Guy Dinmore, Belgrade**

### CORSICAN REGIONAL VOTE

## Nationalists in strong showing

Nationalist parties won almost a quarter of the vote in Sunday's first round of voting for the Corsican regional assembly. The strong nationalist showing, recording 23 per cent of the vote, was a direct rebuff to attempts by the central government in Paris to exercise tighter control over the island following the assassination a year ago of Claude Erignac, the prefect for Corsica. Turn-out was low at 60 per cent.

The rightwing parties' list led by the Gaullist RPR obtained 24 per cent against the leftwing coalition's 20 per cent. Corsica Nazione was the only nationalist group to make it into the second round of voting, with 10.4 per cent of the vote. But if some of the other parties' votes were added in the second round this Sunday, Corsica Nazione would raise its profile in the 51-seat assembly from its current five representatives. **Robert Graham, Paris**

### HUNGARIAN BANKING SECTOR

## Move to tighten regulation

The new chairman of Hungary's banking supervisory agency yesterday said he was going to change the agency's approach from checking compliance with rules towards being more pre-emptive.

The board has been the focus of heavy criticism in recent weeks because of alleged shortcomings in its conduct of the supervision of Postabank, Hungary's second largest retail bank, which collapsed last year. A subsequent bailout of the bank by the state cost Forints 200bn ($868m), around 2 per cent of gross domestic product. Istvan Szalkai has been president of the agency since March 1, having taken over from Imre Tarafas, who was forced to resign under political pressure.

In his first public statement since taking over the job, Mr Szalkai said yesterday it was necessary to improve the board's early warning systems so problems could be caught early. **Robert Wright, Budapest**

### GERMAN ECONOMY

## Trade figures still flat

Slowed by declining exports to Russia and the countries of south-east Asia, Germany's external trade continued to flatten in the fourth quarter of last year after already dropping significantly in the third. Exports rose a mere 1 per cent in October-December compared with the same period in 1997, after rising 2.9 per cent in the third quarter, 9.6 per cent in the second quarter and 15.5 per cent in the first quarter.

According to the Federal Statistics Office, growth in imports also slowed. Imports rose a mere 0.7 per cent in October-December compared to the same period in 1997, after rising 2.2 per cent in the third quarter, 7.3 per cent in the second quarter and 12.2 per cent in the first. The value of goods exported to Russia dropped 53 per cent to DM2.3bn (€1.18bn, $1.28bn) in the fourth quarter. Exports to south-east Asia were valued at DM4.1bn, down 32.8 per cent. Exports to the US, however, rose 10.6 per cent to DM23.3bn in the October-December period.
**Uta Harnischfeger, Frankfurt**

### LATVIAN FINANCIAL SECTOR

## Fifth biggest bank suspended

Latvia's central bank has suspended the operations of Rigas Komercbanka, the country's fifth largest bank, citing its tenuous financial position. Analysts said they expected the bank's failure to damage, but not cripple, the country's banking sector.

Rigas Komercbanka suffered heavy losses on its portfolio of Russian bonds and treasury bills after Russia devalued the rouble and defaulted on its debt last August.

According to the central bank, 27.5 per cent of Komercbanka's assets are still blocked in accounts held in Russian banks and financial companies. The bank lost about 23m lats ($39m) in Russia, and its liabilites exceed its assets by about 30m lats, the central bank said in a statement.

The central bank also accused Komercbanka's largest shareholder, the European Bank for Reconstruction and Development (EBRD), of failing to advise the bank's management on prudent investment strategies, and of not helping in the bank's bailout. **Matej Vipotnik, London**

# Islamist party offers voters a candidate without a headscarf

**Leyla Boulton** in Ankara talks to a woman politician who represents the modernising image of Turkey's Virtue party

Steering a middle course between mini-skirts and headscarves is a tough challenge in a country split between its western secular order and resurgent Islam.

But that is the task Turkey's Islamist Virtue party has set its new women recruits such as Oya Akgönenç in its efforts to persuade a distrustful public that it is fit to govern.

With less than six weeks to go before elections on April 18, the country's powerful military leaders have made it clear that they are unlikely to allow Virtue, currently the largest party in parliament, to form a government.

A coalition led by the Welfare party, Virtue's predecessor, was forced out of office under pressure from the armed forces two years ago. The army remains just as suspicious of Virtue, which sprang up with the same members but a new leader after Welfare was closed down by the Constitutional Court. Virtue has attracted new members with impeccable secularist credentials such as Ms Akgönenç, a US-educated academic and one of three women on the party's 50-strong decision-making committee. She is also at the top of the party's list of parliamentary candidates.

Under Recai Kutan, its mild-mannered new leader, the party has also announced policies different from those associated with Welfare, supporting for instance privatisation of "everything including health and education" as well as Turkey's application to join the European Union.

Unlike most women party members, Ms Akgönenç, an elegant mother of two, does not wear a headscarf.

She says she left the centre-right True Path party of Tansu Çiller, Turkey's first woman prime minister, because it offered no chance of "helping one's own society". She is adamant that Virtue, unlike True Path, is not using her as a "showpiece".

She argues that Virtue's five new principles – democracy, human rights, civil liberties, a state of law, and sustainable economic development – have nothing to do with religion. "We never use the religious slogans which Welfare depended on…Religious talk is for the mosque not for a political party."

A new tone also moderates the Islamists' traditional emphasis on social justice and on the need for a more "balanced" foreign policy. So while Ms Akgönenç complains that "nearly 60 per cent of gross national product is utilised only by 20 per cent of the population", the remedies she suggests are relatively unambitious albeit still vague such as legislation to help small business and restrict imports.

She takes an equally blurred line on the ban, traditionally opposed by Islamists, on the wearing of headscarves in state offices and universities. She argues it is not necessary to wear mini-skirts to prove one's modernity. But she says that society and the authorities must work out a way of detecting which women are wearing headscarves in support of fundamentalist ideas and "catch them" just like they would "terrorists".

Her only bitterness is reserved for the military's refusal to talk to the new-look Virtue. "They say they are keeping an equal distance from all parties. But that is baloney. They talk to everyone except us."

Oya Akgönenc with the flag of her Virtue ("Fazilet") party Reza Ezer

Analysts are divided on whether the Turkish military are right to be so suspicious of the Islamists.

"If there were no military around, they would want to change the Turkish state very deeply," says Udo Steinbach, director of Germany's Oriental Institute in Hamburg. "But they are realists who understand that many voters vote for them not because they want an Islamic state but out of frustration with other political parties."

Others believe that more extreme currents in the party are cynically biding their time until the new line achieves power. There is a clear difference, they note, between moderates in Ankara and the unreformed pronouncements of some grassroots activists. Sitki Zilan, Virtue's number two man in Diyarbakir, the biggest city in Turkey's south-east, accuses "imperialist" powers of seeking to impose a uniform model of development on the rest of the world. He supports the wearing of headscarves, and says the party will fulfil its "mission" regardless of whether it is shut down or not.

Omer Faruk Gençkaya, a political scientist at Bilkent University, where Ms Akgönenç taught international relations until she joined the party, doubts that change at Virtue will be either lasting or quick. How moderate Virtue becomes, he says, will depend on whether the mainstream parties can deliver economic reforms that make low-income Turks better off and therefore less receptive to a party which describes itself as the country's main opposition.

## Kurdish party can run in poll

Turkey's highest court yesterday rejected a prosecutor's attempt to bar a Kurdish party from running candidates in April 18 local and national elections, **AP reports from Ankara.** Vural Savas had argued the People's Democracy party (Hadep) could not run because the constitutional court is currently hearing arguments in a case to ban it. Hadep faces closure if the court rules it is linked to Abdullah Ocalan's Kurdistan Workers party (PKK).

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## WORLD TRADE

**BANANA WARRIORS** DISPUTE HIGHLIGHTS PERSONALITIES OF EUROPE'S LEON BRITTAN AND US COUNTERPART CHARLENE BARSHEFSKY

Brittan: widely faulted in the US for a smug and patronising style

# High-handed approach mars a clever operator

By Guy de Jonquières

For three years, Sir Leon Brittan, the European Union's trade commissioner, has campaigned for the launch of a "millennium round" of trade talks, to inject fresh impetus into global market liberalisation.

Sir Leon's retirement in December, soon after he turns 60, precludes his participation in such an exercise. Nonetheless, he clearly hopes that just getting it launched at the end of this year would secure his place in history, after seven years doggedly fighting the EU's corner in international negotiations.

As things stand, however, Sir Leon's swansong could turn out to be bananas. How the EU's bitter conflict with the US over the issue is handled will be critically important to their relationship, to prospects for a trade round and to the World Trade Organisation.

In many ways, Sir Leon is well equipped to defend the EU's interests. He is renowned for his intellect, mastery of detail, lawyer's instinct for the jugular, unflagging energy and appetite for work.

These qualities have enabled him regularly to trounce his Commission colleagues in debate and exercise unrivalled control over trade policy. So much so that EU government ministers and officials sometimes complain about being kept in the dark about strategic decisions.

Sir Leon has also proved more than a match for non-European adversaries. He is widely judged to have bested the wily Mickey Kantor, then US trade representative, in several encounters during and after the Uruguay Round.

But while Sir Leon's successes have earned him power and respect, they have won him few friends. Even admirers say his high-handed style and refusal to suffer fools gladly have alienated potential allies, who could have been won over with a little tact and charm.

Some observers also accuse him of political blind-spots. They say he failed to realise until too late that French suspicions of his free-market beliefs had sunk his hopes of becoming Commission president four years ago, despite his efforts to ingratiate himself with Paris.

Sir Leon also has an ambivalent relationship with the US. He first got to know the country while attending Yale University, where he forged a lasting friendship with Robert Rubin, now the powerful US treasury secretary. As trade commissioner, Sir Leon has worked hard to institute a closer dialogue with the US on business issues and launched several initiatives designed to remove obstacles to two-way trade and investment.

However, Sir Leon is widely accused in the US of a smug and patronising style. His relationship with Charlene Barshefsky, his US counterpart, is said to have got off to a bad start, when he appeared to treat her as junior partner.

His fondness for lecturing Washington publicly about its trade policy – in a stentorian English accent – has also rankled, even with Bill Clinton. During a testy White House meeting about bananas last year, the president told Sir Leon the only thing that made the talks almost tolerable was hearing him pronounce the word "boh-nah-nahs".

Barshefsky: 'She's the nice girl who does her homework'

# Gentle manner belies a hard negotiating style

By Guy de Jonquières and Nancy Dunne

A casual meeting with Charlene Barshefsky, US trade representative, can be deceptive. Few would guess from her petite build, elegant dress and soft-spoken manner that she is one of the world's most feared trade negotiators.

She won her spurs first as a successful trade litigator with a Washington law firm, then as deputy US trade representative, where she is remembered for relentlessly applying pressure on China and Japan to change their trade practices. One sometime adversary refers to her, only half-humorously, as "big boots".

"She's always so well prepared, it's terrifying. Nothing gets by her," says a Republican who has known her for many years. "She's the nice girl who does her homework. She's not unreasonable. If she believes it's reasonable to go after someone, God help them."

But since her appointment was confirmed in 1997, she has needed all her lawyerly wiles and toughness to stay ahead of the game.

She started with some handicaps. Her most effective predecessors have invariably been seasoned political insiders, with personal links to the president of the day and privileged access to the Oval Office. Mickey Kantor, whom she succeeded, liked to call himself "the president's lawyer".

Ms Barshefsky is more of a technocrat, without close White House connections. Most of her negotiating has been in bilateral forums, where Washington held the high cards, not in the more complex environment of the World Trade Organisation. She made her first visit to the WTO only in May, and her first tour of European capitals in October.

Nonetheless, Ms Barshefsky has made her mark by helping to persuade Bill Clinton to invite WTO ministers to hold their next meeting in the US later this year and then to call for a comprehensive new trade round.

These achievements come at a price, however. Ms Barshefsky badly wants a success at this year's WTO meeting. That requires mending fences with trade partners and convincing them that the US is committed to multilateralism and open markets.

Yet she is also under heavy pressure from Congress, much of which is sceptical of the WTO and alarmed by a rising trade deficit, to take a stick to other countries over a variety of issues. As well as bananas, they include steel imports and Japanese trade barriers.

So far, Ms Barshefsky has sought to hold the line by talking tough and rattling sabres at home, while trying to limit the international impact by stressing her determination, when abroad, to eschew protectionism and abide by WTO rules.

It is a delicate balancing act. There are signs that Congress is growing tired of promises and may try to force her hand. A House of Representatives proposal to legislate steel quotas, in defiance of WTO rules, is gathering wide support.

But bananas is set to be the biggest test of Ms Barshefsky's tactics. Even free-traders on Capitol Hill say that unless the US quickly gets satisfaction in the dispute, already weak support for the WTO – and for a new round of world trade talks – will evaporate.

## NEWS DIGEST

**ASIAN ECONOMIES**

### Regional crisis bites deep into vehicle sales

Vehicle sales in south-east Asia fell sharply in 1998 as the region's economic crisis took its toll on consumer spending and excess capacity overwhelmed the industry, figures released yesterday by Asian Honda showed. Overall vehicle sales in the five largest markets – Malaysia, Thailand, Philippines, Indonesia and Singapore – were down 64 per cent to 480,657. Industry analysts say the region has the capacity to assemble about 1.5m cars a year, and, with the exception of Thailand, exports from the region are negligible. Commercial vehicle sales were hardest hit, falling 68 per cent to 224,895, while car sales fell 58 per cent to 255,762. This disparity allowed car specialist Honda to take over as the leading international motor manufacturer in the region from previous leader Toyota, which relies more on commercial vehicles. Ted Bardacke, Bangkok

**FOREIGN INVESTMENT**

### Korea and Thailand attractive

Foreign direct investment in South Korea and Thailand almost doubled last year as overseas companies rushed to take advantage of their more liberal rules on foreign acquisitions in the wake of the Asian economic crisis.

Data released by the United Nations Conference on Trade and Development show an overall FDI decline among the five countries most affected by the crisis, to $15.4bn in 1998 from a record $17.5bn in 1996 and 1997. However, the drop is entirely accounted for by net divestment of foreign assets in Indonesia and to a lesser extent a slowdown in FDI flows into Malaysia. FDI into the Philippines has remained broadly stable over the period at around $1bn a year.

According to Unctad, inflows to Thailand reached $7bn last year compared with $3.7bn in 1997 and an average of $1.9bn annually in the first half of the decade. Investment in Korea topped $5bn, against less than $3bn in 1997 and $1bn a year between 1991 and 1995. Despite Malaysia's imposition of capital controls, FDI inflows dropped only modestly to $3.6bn last year compared with $5.1bn in 1997. Figures for manufacturing FDI projects approved in 1998 suggest higher investment inflows for 1999. However, Indonesia suffered a net asset withdrawal of $1.3bn last year, the first divestment since 1974, after inflows averaging $5.5bn in 1996 and 1997. Unctad expects the investment climate there to remain morose in 1999. Frances Williams, Geneva

**ENVIRONMENT**

### Pipeline project under fire

Environmental groups are trying to delay a vote today by the board of the US Overseas Private Investment Corporation to provide political risk insurance for a controversial pipeline project in Bolivia and Brazil. Amazon Watch, Friends of the Earth and the World Wildlife Fund are arguing that US law prohibits support for the pipeline because it affects a primary tropical forest and they are threatening to bring legal action if Opic approves the insurance. The project's sponsors, US-based Enron and Shell International, contend that the project is not in a primary tropical forest. Nancy Dunne, Washington



# SCA to boost investment in E Europe packaging

By Peter Marsh

SCA of Sweden, Europe's biggest maker of cardboard boxes, plans to double its investment in packaging plants in eastern Europe over the next five years.

Much of the output will be linked to large investments in the region by industrial and consumer goods producers.

In the past five years, manufacturers including Philips of the Netherlands, General Electric of the US, Continental of Germany and Ikea of Sweden have stepped up output in countries such as Poland, Hungary and the Czech Republic.

The intention has been to take advantage of lower labour costs. The plants turn out a wide range of goods from car tyres to light bulbs.

As well as supplying local markets, the new factories form an important part of these companies' efforts to become more competitive in western Europe.

A local source of packaging, used primarily as containers for shipping goods to these markets, is a vital element in the manufacturers' strategies.

Over the past few years, SCA has spent some SKr300m ($36.5m) in starting 14 plants in eastern Europe, out of 143 it operates across the whole of the continent.

Sverker Martin-Lof, SCA's chief executive, said the company planned to spend as much again over the next five years in doubling the output from its plants in the region.

The investment is expected to come from setting up new factories, acquiring existing plants or expanding output from SCA's production units in Hungary, Romania, the Czech Republic, Slovakia and Poland.

SCA, which has a range of other interests including tissue manufacturing, had sales last year of SKr61bn.

It makes 10bn cardboard boxes in Europe a year, worth some SKr15bn, and is estimated to account for one eighth of total sales of this type of packaging across the continent.

In recent years, the company has concentrated on turning out cardboard boxes in shorter runs.

This is to fit in with customers' needs for more varied shapes and sizes required for the proliferation of consumer and industrial products sent to shops and factories inside such packaging.

SCA also has a joint venture in Asia with Weyerhaeuser, a large US packaging company, under which the partners opened a cardboard box plant near Shanghai last year, with another one due to open in China soon.

These factories are due to supply the growing markets for packaging materials in south-east Asia as consumer and industrial outlets develop.

# EU and Mexico hope for fastest free trade pact

By Andrea Mandel-Campbell in Mexico City

The European Union and Mexico yesterday began a third round of talks in Brussels with high hopes of securing what could be the fastest negotiation of a free trade accord.

Both sides are looking to conclude a deal before the end of the year, wary that otherwise the talks could stall with European parliament elections in June and a presidential vote in Mexico next year.

The Europeans are also mindful of trade liberalisation within the North American Free Trade Agreement (Nafta) signed by between Mexico, Canada and the US.

Europe is proposing an immediate reduction in tariffs, followed by a second round in 2003, mirroring the Nafta timetable of tariff cuts. Sensitive products would be left to a yet to be determined third round of reductions.

"Our aim is to arrive at zero duties at the same time as our competitors," said Manuel Lopez Blanco, head of the EU's Mexico delegation. "The US and Canada have a five-year advantage over us. What we can't give them is another five years."

Since 1994, the EU's share of trade to Mexico has dropped by half. Mexico's participation in the EU market has also fallen, with 85 per cent of its commerce going to the US instead.

But several of Mexico's industrial sectors are reluctant to rush headlong into a free trade deal.

The steel, textile and car industries say they need more time before they can compete freely with their European counterparts.

Most opposition is coming from the farm sector, where Mexican negotiators say they may never reduce tariffs for items such as dairy products, beef and cereals, as long as the EU maintains a policy of export subsidies.

Mexico also fears reprisals from the US, which reserves the right under Nafta to reactivate its subsidy programmes if Mexico allows in subsidised imports under preferential conditions from third countries.

Victor Celaya, director of economic studies for Mexico's National Agricultural Council, says: "Our greatest fear is that we would be caught in a subsidy war."

Just how fast negotiators will be able to work through their differences will be decided this week when the two sides exchange lists on tariff reductions for different product categories.

The Mexicans have already agreed to a five-tiered approach offered by the EU for the farm sector, which would see tariffs reduced up to 2008, in line with Nafta, as well as a category reserved for sensitive products.

# Hungary to get gas power plant

By Kester Eddy in Budapest

Hungarian utility Budapest Power yesterday announced plans to build a 110MW gas turbine combined heat and power (plant at a cost of $80m.

The new station is expected to start producing power in 2004 and will replace an out-of-date unit of 24MW generating capacity in the south Budapest suburb of Kispest.

Budapest Power, majority owned by the Finnish-Japanese consortium of Fortum-Tomen, along with AES, the US utility, were recently awarded the right to build new stations in a tender for new generating capacity from MVM, the state-owned Hungarian grid company.

Fortum-Tomen also undertook to build a similar 110MW heat and power plant in Ujpest, north Budapest, at the time of privatisation in 1997. However, in the light of low electricity prices quoted in the latest tender, MVM has said it will review the contracts already signed for the Ujpest plant.

Tibor Galos, general director of Budapest Power, said yesterday that the latest planned plant could generate electricity at a lower price only because of the common work already undertaken for the Ujpest plant. "You cannot separate these stations," Mr Galos said.

MVM has also awarded AES the right to build a 191MW gas turbine plant in the north-east town of Tiszaujvaros, at a cost of $100m. MVM also terminated an agreement with AES to build a 165MW coal-fired station on grounds of high cost.

AES, which bought stakes in three Hungarian power stations in 1996, said the original privatisation contract stipulated a new coal-fired station was to be built, despite the cost advantage of gas, due to the government's policy to diversify fuel and maintain local mines.

AES says the cancellation of the $250m coal station has cost the company "millions of dollars" in wasted design and finance preparations.

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**IRAN'S PRESIDENT** NEW CHAPTER IN TEHRAN'S REVOLUTION OPENS WITH VISIT TO ITALY

# Khatami hopes gesture to west will boost his cause

**By James Blitz in Rome**

Iran's President Mohammad Khatami today opens a new chapter in his country's 20-year-old revolution with a state visit to Italy.

The visit is the first to a western state by an Iranian leader since the 1979 revolution.

Mr Khatami and his reformist partisans hope the visit will strengthen their cause at home and bolster their support abroad.

It comes days after Mr Khatami's reform coalition received overwhelming popular support in nationwide elections to town councils, winning about 70 per cent of the seats.

In what the Italian government sees as the continuation of an historic re-opening of relations between Iran and the European Union, Mr Khatami will meet Italy's senior leaders, as well as the Pope in the Vatican on Thursday.

Iran continues to face economic sanctions imposed by the US government in 1995 because of fears that Iran was an incubator of international terrorism and was developing weapons of mass destruction.

But Italy has for some years been in the vanguard of western states trying to re-open ties with Tehran.

Lamberto Dini, Italy's foreign minister, visited the country last year ahead of other western officials.

Italy believes that Mr Khatami, who was elected 21 months ago in a landslide victory which took Tehran's clerical elite by surprise, represents a new and more moderate course in Iranian politics and that this needs to be supported internationally.

### Italy believes that Iranian moderates need international support

Massimo D'Alema, Italy's prime minister, reaffirmed yesterday that Rome continued to have some concerns about Iran's human rights record.

"We do not hide the reservations we have had with regard to Iran's human rights situation and international policy choices," he told reporters at his weekly press briefing.

But he added: "Our judgment is that President Khatami has brought hope for moderation and reforms. And this hope for moderation and reforms has to be encouraged."

The Iranian government clearly sees the visit as an important development.

"It is a turning-point not only in our relations with Italy but also our understanding with Europe," said Ali Ahani, Iranian ambassador to Rome.

Today's visit comes a few days after the Italian energy group Eni and the French oil company Elf-Aquitaine signed a $1bn deal to develop Iran's offshore Doroud oilfield, expected to boost the country's output of crude oil.

Eni is competing with several other French and British companies for more than 40 other oil and gas projects worth more than $8bn on offer from the National Iranian Oil Company.

Iran also announced at the weekend that it would not oppose the participation by US companies in petrochemical projects on its territory, calling on the US to change its sanctions policy.

Both sides have made clear that this week's visit will involve a frank and open exchange of views.

Italy is particularly keen to reinforce its belief in the non-proliferation of nuclear weapons, pressing Iran to abide by this policy.

President Khatami can also expect to come up against protests and various demonstrations from some of Italy's political parties.

Those protesting will be, notably, the Greens and the Reconstructed Communists, who have expressed tough opposition to the "Iranian regime".

**President Khatami: first visit to west by an Iranian leader since 1979 revolution**

# Foreigners can take 49% stake in refineries

**By Robin Allen, recently in Tehran**

Foreign investors are to be allowed up to 49 per cent equity participation in Iranian refineries, under a landmark law passed by the majlis (parliament) last month.

The new measures are included in the government's 1999/2000 budget proposals which come into effect on March 21, the start of Iran's fiscal year.

The budget has been approved by the Council of Guardians, the 12-member supervisory board which vets legislation from the majlis, so the joint-venture proposals are already "constitutional", according to industry officials and private sector bankers.

The new legislation, they emphasise, is restricted to refineries and does not cover equity participation or production sharing in oil and gas exploration and production. They acknowledge that formidable bureaucratic constitutional and legal obstacles to foreign investment remain.

They add, however, that the clauses in last month's budget law are another indication of the pragmatism within Iran's conservative clerical and secular factions when they are asked to interpret the more restrictive parts of the 1980 Islamic constitution, in particular a section that forbids the granting of concessions to foreigners in all main areas of the economy.

The conservative factions dominate in the political hierarchy and frequently oppose efforts by reformist President Mohammad Khatami to open up the economy.

Ultimate ownership of the refinery, officials emphasise, would remain with the government regardless of whether its stake is 100 per cent, 75 per cent or 51 per cent. Bankers emphasise that, from the foreign company's point of view, the essential is not the degree of state ownership, but Iran's poor credit rating and the threat, albeit diminished by recent buy-back deals, of US sanctions.

According to industry officials, Iran's oil industry needs the know-how and the modern equipment and spare parts that only western, particularly US, companies can supply. The life of Iran's oil reserves is no more than 20 years, said one official, and those will be needed for domestic consumption. For export earnings, Iran is counting on exploiting its vast reserves of natural gas, some 15 per cent of the world's total. But for both areas, they add, foreign investor participation is essential.

However, unlike its counterpart National Petrochemicals Company (NPC), the National Iranian Oil Company (NIOC) does not have the legal right to go to the international market. Nor does its affiliate, National Iranian Distribution & Pipeline Company (NIDPC), which owns and operates domestic refineries.

Iran's parliament would have to pass new legislation if equity-participation was to be extended into oil and gas exploration and production, and the Council of Guardians would have to scrutinise any bill.

Iranian ownership of its own energy assets has been carved in stone since nationalisation by prime minister Mohammad Mossadeq in 1952; a policy which was reinforced by the Shah after his return in 1953.

Precedents exist where the Council of Guardians has made rulings in favour of minority ownership by foreign companies.

One such was created in 1981. Despite all the extreme emotions thrown up in the immediate aftermath of the revolution the Guardians Council confirmed the constitutional validity of a DM1.5bn (€767m, $833m) letter of credit facility issued by Iran's central bank before the revolution to finance the German-Iranian Neka power plant on the Caspian.

The Guardians' Council agreement "was a guarantee of pragmatism," according to Dariush Fazlollahi, Dresdner Bank group's chief representative in Tehran.

Foreign energy companies are looking for more of the same before responding in greater numbers to Iran's energy sales pitch.



## NEWS DIGEST

**QATAR DEMOCRACY**

### First election a watershed in emirate's political life

Some 22,000 people cast their votes yesterday in the first elections ever held in the small gas-rich Gulf state of Qatar. Among the 227 candidates were six women. The elections are for a new municipal council, a 29-member body responsible for municipal affairs, agriculture, buildings and roads, food quality, garbage disposal and public health.

The elections mark a watershed in the political life of Qatar, a state with a population of only 150,000 whose political development stagnated until Sheikh Hamad Bin Khalifa al-Thani took over from his father in a coup three years ago. This year Sheikh Hamad said the municipal elections would be the first step to an elected national legislature early in the next millennium. **Robin Allen, Dohar**

**SOUTH LEBANON**

### Hizbollah rejects ceasefire

Hizbollah, the Lebanese Islamist resistance movement, yesterday ruled out any prospect of a ceasefire in the runup general elections in Israel on May 17.

Sheikh Hassan Nasrallah, the movement's secretary general, accused Israel of seeking diplomatic support for changes to the terms of reference of the 1996 accord which bars Israel and Lebanese guerrillas from attacking civilian areas or launching attacks from them. Sheikh Nasrallah also warned that the guerrilla movement would not accept any temporary truce, or other constraints on its military operations, such as the use of roadside bombs. He also asserted the guerrillas' right to fire Katyusha rockets into northern Israel if Israel attacked civilian targets in Lebanon. The 1996 accord, known as the April understanding, was an agreement reached after Israel's Operation "Grapes of Wrath", to limit the civilian casualties in south Lebanon, where Israel is embroiled in a war with Lebanese guerrillas. Seven Israeli soldiers, including a brigadier-general, and at least two Lebanese guerrillas have been killed in in the past two weeks. **James Schofield, Beirut**

**ISRAEL PIRATE RADIO**

### Court halts legalisation

Israel's Supreme Court yesterday suspended the legalisation of Arutz 7, the Jewish settlers' pirate radio station, on the grounds that the way the Knesset (parliament) pushed through legislation last month contravened broadcasting laws. The court's ruling will be a blow to the West Bank and Gaza Strip's 16,000 settlers as well as to Benjamin Netanyahu's rightwing government, which last month successfully secured enough votes in the Knesset to legalise the radio – against the advice of the attorney general.

The station, which broadcasts religious music, news and criticisms of the peace process with the Palestinians, operated from a ship said to be in international waters. According to police, some transmissions were from within Israeli waters and from a settlement, which made the station illegal under current broadcasting laws.
**Judy Dempsey, Jerusalem**

**INTEL AND FTC** SOFTWARE MAKER AND ANTITRUST OFFICIALS PLAY DOWN CONFRONTATIONAL NATURE OF LAWSUIT

# Reluctant protagonists in 11th-hour deal

By Richard Wolffe in Washington and Louise Kehoe in San Francisco

The 11th-hour deal between Intel and US antitrust officials marks an abrupt and surprising end to litigation which neither side appeared keen to pursue.

In the run-up to the monopoly trial – which was due to start today – both Intel and the Federal Trade Commission attempted to play down the confrontational nature of the lawsuit.

In particular, they made strenuous attempts to highlight contrasts between their dispute and the long-running and acrimonious trial of Microsoft, Intel's long-time software partner, in the federal courthouse across the street from the FTC's headquarters.

Similar last-minute negotiations between Microsoft and antitrust officials at the US Justice Department in May served only to deepen the rift between the world's largest software company and the government.

The more reasoned approach of both Intel and the FTC has avoided long and expensive litigation. It also means that, unlike Microsoft, Intel will not face the embarrassment of having its executives cross-examined by government lawyers and its actions scrutinised in a public forum.

Intel insisted yesterday it had not conceded that it held a monopoly in the market for microprocessor chips, although the company dominates the field. Details of the settlement will not be released until it is voted on by members of the Commission, probably within a few days.

Yet to emerge is how far both sides were forced to compromise. An important issue is whether Intel will be precluded, in future, from giving preferential access to its technology to favoured customers.

At issue in the case was Intel's treatment of three companies – Intergraph, Compaq Computer and Digital Equipment (now part of Compaq) – with which it had legal disputes over intellectual property rights. The FTC accused Intel of abusing its monopoly power by withholding new chips and technical information from these customers. The alleged victims were all ready to testify in court against Intel.

However, Intel yesterday said it was satisfied that the agreement "gives us value for our intellectual property rights".

Legal experts said the FTC's case stretched antitrust law to new limits in policing the computer industry and the requirements placed on companies with alleged monopoly power.

**The FTC was on shaky ground, Intel insisted in a pre-trial brief**

Tom Campbell, a Republican congressman from California and former competition director at the FTC, said: "Under antitrust law, a monopolist has been held to have obligations to his competitors. But the FTC says that in addition to that, a monopolist has an obligation as to how to deal with its customers, that there should be a code of conduct – which is without precedent."

The FTC was on shaky ground, Intel insisted in a pre-trial brief. The government agency was attempting to intervene in private disputes, Intel said, and had not demonstrated any harm to competition. Even the government's own economic expert had found no direct evidence of harm to competition, it noted.

The FTC had also been attempting to prove that Intel's dominance in the chip market had a chilling effect on innovation, but Intel produced plenty of evidence to the contrary.

While the principles of the case may be wide-ranging, the direct result of the settlement is likely to be fairly limited. The FTC originally asked the court to order Intel simply to "cease and desist" from such discriminatory conduct.

However, FTC officials said their lawsuit was partly designed as a shot across the bows of Intel. They said the case aimed to discourage further antitrust abuses and establish confidence in the wider industry that the FTC was prepared to take action against the chip industry giant. Moreover, the Commission is continuing a broader investigation of Intel's conduct.

This is understood to be focused on the company's moves to expand into different segments of the chip market, such as personal computer chip sets and graphics processors.

Intel insists its behaviour has been lawful, but any charges to the contrary could land the company back in Washington facing a case that could be remarkably similar to that against Microsoft.

Rear windows, Page 16

**JOE DiMAGGIO**

# An American hero on and off the ballpark

Joe DiMaggio, a baseball player first and foremost but also an extraordinary American icon who married Marilyn Monroe, was extolled by Ernest Hemingway and immortalised in popular song, has died at the age of 84 following lung cancer surgery.

As a player he was known as the Yankee Clipper (he played all his career for New York's most famous team) and Joltin' Joe.

But his aura was a combination of grace, dignity and reserve and New York, then the centre of the literary and sporting universe, loved him for it and made him the ultimate celebrity of the time.

Such fame would not have been possible without his sport and DiMaggio was one of the best ever to have played the game.

Born Joseph Paul DiMaggio, the son of Italian immigrants, in Martinez, California on November 25 1914, he arrived with the New York Yankees in 1936 when the team, a dynasty under Babe Ruth, was going through a relatively lean stretch.

He led it straight back to the top, with World Series titles in his first four years. But it was the season of 1941 which etched his place in baseball history with a record that still stands.

From May 15 through July 16, DiMaggio hit safely in 56 consecutive games. The non-baseball fan may have difficulty in appreciating the magnitude of this feat, but striking with a round bat a ball coming in, with swerves and deception, at as much as 90 miles per hour, is not easy.

Joe DiMaggio in 1941: he even looked good striking out

By comparison, the previous mark, set by Willie Keeler in 1897 under rules more favourable to the batter, was 44: only three players this century – and only one since 1941 – have recorded as many as 40 and any streak of 30 or more today is considered noteworthy.

Many serious baseball aficionados are convinced that DiMaggio's achievement will not be beaten.

One Harvard Nobel laureate ran all baseball's records through his computer and found a mathematical probability that none was insuperable – except DiMaggio's streak.

DiMaggio's 13-year career with the Yankees – he lost three years to wartime service – was consistently excellent. He hit 361 home runs, won nine World Series rings and was a superb centre fielder. Ted Williams, the invariably surly Boston hitter, once said of his great rival: "DiMaggio even looks good striking out" (which he rarely did).

The 1941 season took him out of the ballpark and into popular song, first with light ditties and then into the big time. Rodgers and Hammerstein, in South Pacific, wrote of Bloody Mary "her skin is as tender as DiMaggio's glove". The next generation grew up humming along with Paul Simon's "Where have you gone, Joe DiMaggio? A nation turns its lonely eyes to you."

Fame also led him into a marriage with Marilyn Monroe in 1954. They were one of the glamour couples of the times but his reserve and her increasingly erratic ebullience were not a natural match. They split after just nine months.

However, in retirement he kept himself, guardedly, in the public eye as a somewhat stilted speaker at sporting banquets and as a television pitchman for a New York savings bank and a coffee machine manufacturer.

He was, of course, an iconic hero of a simpler time, before the age of television, when writers and radio were kings.

So it is not easy to compare the Yankee Clipper with those modern sporting celebrities who have become voluntary or prised open books. There remain very few filmed images of the man in action. There are words, there are songs and there are memories, and they combine to make for a pretty fair epitaph for a ballplayer.

**Jurek Martin**

## NEWS DIGEST

**POLL MARKED BY LOW TURNOUT**

### Flores claims victory in El Salvador election

Francisco Flores has claimed a widely expected victory in El Salvador's presidential election after a poll characterised by resounding voter apathy.

With 80 per cent of votes counted yesterday, Mr Flores, the candidate of the ruling Nationalist Republican Alliance (Arena), had won more than 51 per cent.

If it is confirmed, the result would do away with the need for a second round of voting to be held next month.

The result keeps the centre-right party in power for a third five-year term. It is a bitter blow for the leftwing Farabundo Martí Front for National Liberation (FMLN), which until last year appeared to have a good chance of winning, after strong gains in legislative elections in 1997. But a protracted struggle last year to select a candidate cost it dearly. **James Wilson, San Salvador**

**ECUADOREAN CURRENCY**

### Banks told to take holiday

Equador's dollar-denominated Brady bonds plummeted by eight percentage points yesterday as fear mounted over the government's ability to pay its external debt.

Observers said that while Ecuador was not in the immediate danger of default, it urgently required multilateral financing to service its debt.

Ecuador's regulatory authorities ordered banks to take a compulsory one-day holiday in a desperate attempt to reduce pressure on the country's weakening currency and the embattled banking system. Observers said the government was expected to use the time-out to announce a reform of the banking system. **Justine Newsome, Quito, and Arkady Ostrovsky, London**

**OKLAHOMA CITY BOMBING**

### McVeigh appeal rejected

The US Supreme Court yesterday left intact Timothy McVeigh's conviction and death sentence for the 1995 Oklahoma City bombing that killed 168 people and injured hundreds more.

The court, without comment, rejected an appeal in which Mr McVeigh argued his trial was tainted by jury misconduct and news reports that he had confessed to his lawyers.

Mr McVeigh was convicted of first-degree murder, conspiracy and weapons-related charges. A three-judge federal appeals court panel upheld his 11 convictions and death sentence last September.

Mr McVeigh's appeal said pretrial news reports that he had confessed to his lawyers created an "extraordinary" threat to his fair-trial rights. Four jurors indicated that they had seen the reports. **AP, Washington**

**On the web** today
● Economists back Clinton debt plan ● California's disciple of fiscal prudence faces pay onslaught
● Caribbean Commonwealth nations to make the break
http://www.ft.com/americas

**AUTONOMY OR INDEPENDENCE** SOME FEAR INDONESIA MAY BE BACKTRACKING ON ORIGINAL OFFER

# East Timor negotiations delayed

**By Sander Thoenes in Dili, East Timor, Michael Littlejohns in New York and Peter Wise in Lisbon**

Indonesia yesterday announced it would delay by six weeks negotiations on the status of East Timor, the Portuguese colony whose annexation by Jakarta in 1975 has never been recognised by the United Nations. The move was interpreted by diplomats as possible backtracking and a victory for hardliners in the government.

Ali Alatas, the foreign minister, said Indonesia would only detail its double offer of autonomy or independence for East Timor, first proposed in January, by late April rather than at a high-profile meeting with Portuguese representatives tomorrow.

Mr Alatas said he would still go to New York for the talks, sponsored by the United Nations, but only to explain that the proposal needed to be reviewed by the Indonesian cabinet first.

Head of the review committee will be Feisal Tanjung, co-ordinating minister for security, former chief commander of the armed forces and considered the most conservative member of the cabinet.

"This is a disappointment," said one western diplomat. "Until now the tone has been set by a group of liberal advisers to President B.J. Habibie. They just lost control."

In New York, United Nations officials expressed concern at the delay. One said the UN had been expecting Mr Alatas to arrive with "an autonomy plan in his pocket".

In Portugal, analysts said that the situation seemed to be moving backwards away from a resolution.

Mr Habibie's deadline for settling East Timor's status before the end of the year, and hints that he was happy to wash his hands of it, had raised concern that Indonesia would just walk out and leave East Timor in chaos.

Diplomats said Mr Habibie now appeared to be swinging in the opposite direction and could be about to withdraw his offer of independence.

Talks may be set back by more than six weeks either way, as the United Nations and Portugal have prepared a stance on the assumption that Indonesia wanted a speedy transition.

In East Timor few people had heard of the delay yesterday but Rui Lourenco da Costa, a Timorese human rights activist, accused the Indonesian government and its military of creating excuses for such a postponement by orchestrating clashes between proponents and opponents of independence. A string of recent killings has sparked an exodus of non-Timorese residents.

# 'Terminator' blows away minister's job

**By Michiyo Nakamoto in Tokyo**

Arnold Schwarzenegger could not have imagined the devastation his recent visit to Japan would cause. The Hollywood actor, best known in his role as the "Terminator", has just had a hand in bringing the career of Japan's justice minister to an abrupt and inglorious end.

Shozaburo Nakamura was yesterday forced to resign after revelations that he had privately kept a document signed by *Shuwa-chan* – as he is affectionately known in Japan – rather than hand it in to the immigration office. The document was signed by Mr Schwarzenegger to get permission to enter Japan, when he landed in Osaka in a private aircraft last October without a passport.

The incident, one of the most bizarre to trigger the resignation of a cabinet minister in recent Japanese history, deals an embarrassing blow to the administration of Keizo Obuchi, prime minister.

Mr Nakamura is the second cabinet minister forced to resign in less than eight months since Mr Obuchi has been in office. Last November Fukushiro Nukaga, then defence agency chief, was forced to step down over the agency's involvement in a procurement scandal.

In both cases, the ruling Liberal Democratic party (LDP) had to accept the resignations under pressure from the opposition because the LDP does not have a majority in the upper house of the Diet. Mr Nakamura's departure became unavoidable after the opposition parties refused to attend certain Diet committee deliberations, raising concerns within the LDP that the passage of critical legislation could be delayed as a result.

Takao Jinnouchi, 65, was named as the new justice minister.

The latest blow to the Obuchi administration comes as the LDP needs desperately to brush up its public image ahead of regional elections next month.

With the Japanese economy hanging precariously on the brink of a deflationary spiral, a weak showing in the regional elections would seriously hurt the Obuchi administration.

The latest incident has also raised questions about Mr Obuchi's judgment in choosing Mr Nakamura as justice minister.

The gaffe over the Schwarzenegger-autographed document is only the last of a series of controversial acts and comments by Mr Nakamura.

Early in the year Mr Nakamura gave the opposition political fodder when he told his staff at the justice ministry that Japan was suffering under a constitution that was forced on it by the US occupation.

Shozaburo Nakamura gets into a car yesterday after submitting his resignation AP

# Microsoft set for internet deal in China

**By James Kynge in Beijing and Louise Lucas in Hong Kong**

Microsoft, the world's largest computer software company, is expected to announce this week a ground-breaking venture with Chinese information technology leaders to bring access to the internet to tens of millions of television viewers.

Executives involved in the deal said that although the cost of personal computers was prohibitive for many Chinese households, a Microsoft software program developed for the Chinese market would provide them with access to cyberspace using their television and either a video compact disc player or a set-top box.

The venture was set to add impetus to an internet market growing at a breathtaking rate. There were 2.1m internet users in China in January and many analysts predict as many as 10m by the end of this year. E-commerce is also starting to develop.

The Microsoft venture is to rely primarily on a set-top box allowing televisions to accept Microsoft's Venus software, which would provide internet access. Manufacturing of the set-top boxes is to be handled by Legend, the leading Chinese computer manufacturer.

"We are planning to start large-scale production of the boxes later this year," said a Legend executive.

The other Chinese partners were expected to be Stone Electronic Technology, a consumer electronics company, Founder, a computer maker, and Qingdao Haier Refrigerator, which produces digital televisions and consumer electronics. It was not clear what each participant would bring to the venture.

Industry analysts said the deal held considerable promise for Microsoft, which has been dogged by the piracy of up to 90 per cent of its software in China.

Bill Gates, Microsoft's chairman, was due to unveil the venture in the southern Chinese city of Shenzhen tomorrow.

Microsoft was also expected to announce a "strategic co-operation plan" with Hongkong Telecom, the share price of which surged 5.7 per cent to HK$14.80 yesterday. The gain came on top of a 9 per cent rise on Friday.

Mr Gates and Linus Cheung, chief executive officer of Hongkong Telecom, will unveil their new partnership today. As in China, this is expected to focus on the convergence of TV and computer technology and will enable computer users to download films more quickly via Hongkong Telecom's broadband networks.

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# Swiss company in cup gamble

**By James Kynge in Beijing**

ISL, the Swiss sports marketing company, is taking a gamble that China will qualify for the World Cup for the first time ever.

The company signed a deal yesterday under which it will pay the Chinese Football Association (CFA) $35m to handle the marketing for China's national team for the next six years. Under the deal, believed to be the richest in Asian football history, ISL will market the television and licensing rights to all China-hosted matches played by the national team.

Observers said the company stood to reap large profits if the Chinese team can end its run of failures and qualify for the World Cup in 2002. But success is less assured if the team, coached by Bobby Houghton, a former UK club trainer, fails to clinch one of three slots open to Asian teams. Two of these place will go automatically to Japan and South Korea, co-hosts of the tournament.

ISL, which has been the marketing partner of Fifa, the world cup organising body, since 1986, plans to use its contacts and expertise to line up a series of fixtures before the cup which both test China's national team and bring in revenue from television advertising and licensing.

Profits are to be shared equally between the CFA and ISL, which will also act for China's Olympic, youth and women's national teams. Soccer is potentially big business in the world's most populous market, which has hundreds of millions of soccer fans.

# Beijing outlines consumer loan plan

**By James Harding in Beijing**

China will allow the country's big four state banks to grant a range of new consumer loans in an attempt to boost individual Chinese spending and revive flagging domestic demand.

The loosening of consumer credit is set to open a significant new area of business for China's troubled state-owned banks. But the policy may struggle to stimulate purchases by Chinese consumers, who remain reluctant to borrow in the face of rising welfare costs and deepening job insecurity in a slowing economy.

In a document being considered by China's big state banks, the People's Bank of China, the central bank, said: "Chinese banks should spare no efforts to grasp the strategic opportunity and foster consumer credit as a new growth area."

The development of a consumer lending business is intended to improve the asset quality of the big four banks – Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China and the China Construction Bank.

However, at the head office of the Agricultural Bank of China an official warned that encouraging Chinese consumers to borrow would not be easy.

"It will take time to promote the idea of consumer credit in China. Most Chinese people are not used to borrowing when they are short of money to buy something. . . Others cannot afford loans. These will be the hurdles in the development of consumer credit," the official said.

In Shanghai, the official media noted that despite inducements by some banks to borrow, individuals have increased their savings, taking a cautious approach as the reforms of pensions, housing, education and medical care continue.

The state-owned commercial banks, which in the past have been able to offer only a very limited range of loans to Chinese individuals and have built up a mountain of non-performing loans to struggling state-owned enterprises, are by international accounting standards insolvent.

The central bank, in a circular to the banks quoted by state media, said the development of individual credit would be "important to the banks' credit structure adjustment as well as the improvement in the quality of their assets".

**SOFT LOAN FUND** FALLING YEN AND ASIAN CRISIS HAVE MEANT THE BANK HAS LESS MONEY THAN EXPECTED

# ADB seeks fresh injection of funds

**By Peter Montagnon and Tony Tassell in Manila**

The Asian Development Bank is to begin negotiations later this year on a fresh injection of funds to supply concessionary loans to the region's poorest governments, Tadao Chino, its new president, said yesterday in Manila.

The present soft loan fund was originally agreed at $6.3bn in 1997 after a protracted series of negotiations among the 25 donor members but it is scheduled to run out at the start of 2001 and needs replenishing. A shortfall of contributions, aggravated by the weakness of the yen which has reduced Japan's contribution in dollar terms, has left the amount available for distribution at $4.7bn, far less than originally budgeted.

Bank officials say the need to conserve capital resources to deal with the Asian economic crisis meant that last year no profits from the bank's ordinary activities were transferred into the soft loan fund.

Mr Chino said the question of replenishing the fund would be discussed informally at the bank's annual meeting at the end of next month and formal negotiations would begin later.

This was a more pressing issue than the need for a general capital increase, despite the large rise in lending to relatively better-off Asian countries in the wake of the regional economic crisis.

The negotiations will provide an early test for Mr Chino, a former Japanese finance ministry official, who took over the top post at the bank in January.

The previous replenishment was marked by tough bargaining over the inclusion of Asian tiger countries as donors. Although it enjoys a living standard higher than many European countries, Singapore refused to contribute at all, while Taiwan and China embarked on a bitter row over whether there should be a comma between the words Taipei and China under which membership is listed.

Mr Chino said it was too early to talk about the timing of any general capital increase. "We have to ensure the real financial soundness of the bank in order to be effective and in order to have resources from the capital markets," he said.

One factor in this, he said, was the bank's ability to run its balance sheet prudently and generate enough earnings to meet liquidity and gearing ratios without fresh capital. Another was the degree of shareholder support for a capital increase.

# Malaysia fights to check pig disease outbreak

**By Sheila McNulty in Singapore**

Malaysia is struggling to contain an outbreak of Japanese encephalitis, which officials suspect has killed at least 28 people, leading the Health Ministry to order the vaccination of an estimated 2.4m pigs in peninsular Malaysia.

The emergency measure was decided on after months of focusing efforts on areas of known infection. But the virus recently spread to a second state, and casualties have continued to rise among the 52 people believed infected since October.

Malaysian news reports said about 80 per cent of residents recently fled one settlement, leaving pigs to die of hunger, heightening insanitary conditions. The virus is carried by pigs and spread to humans via mosquitoes.

Fear of contracting the virus has sent domestic pork sales plunging 40 per cent since the outbreak began.

Malaysia is reported to export pork to Singapore and Hong Kong. Singapore says its pork sales have also dropped, though officials were quoted as saying it was safe to buy pork in the city-state as it had blacklisted pigs from several farms in Malaysia and allowed imports only from those with high sanitary conditions.

The Malaysian authorities insist that the virus is only carried in live hosts and that it is therefore safe to eat pork.

Pig farmers offer villagers free roast pork to convince them their pigs are virus-free

But the Federation of Malaysian Consumers Association has advised against doing so unless the health minister personally guarantees its safety.

The authorities have ordered thousands of pigs killed in the affected areas, and the Health Ministry has vaccinated 57,000 people and sprayed farms to kill the mosquitoes. But the virus has persisted.

Livestock farmers are urging the government to pay to vaccinate their pigs as they already are under financial pressure. Those with infected pigs are also losing livestock.

Officials estimate that overall the outbreak could cost pig farm owners M$100m (US$26.3m). It is also hurting pig-feed manufacturers and butcheries.

Chinese-language newspapers are urging the government to act quickly.

The outbreak has chiefly affected the minority Chinese, as the majority Malays are Moslem and do not eat pork. This is the fourth outbreak reported in Malaysia since 1974.

## NEWS DIGEST

**RULING GROUP ACTS TO SAVE FACE**

### BJP coalition reinstates state government of Bihar

India's coalition government yesterday decided to reinstate the elected government of the conflict-ridden northern state of Bihar to avoid the political embarrassment of losing a parliamentary vote on the state government's dismissal.

The coalition government – led by the Bharatiya Janata Party (BJP) – sacked Bihar's legislative assembly and imposed president's rule over the state last month. This followed the massacre of dozens of lower caste Hindus in attacks by private armies affiliated to upper caste landlords.

The decision to dismiss an elected state government must be ratified by both houses of parliament, or else president's rule lapses after two months. The BJP narrowly won a vote on the issue in the lower house of parliament, but was nearly certain to lose a vote in the upper house, where it lacks a majority. **Amy Louise Kazmin, New Delhi**

**INDONESIA PRIVATISATION**

### Jakarta may issue bonds

Indonesia said yesterday that it might issue up to $850m in bonds, collateralised by shares in state-owned companies, if privatisation sales do not bring in enough money in the next month.

"We have a target to get $1bn this financial year. In the worst case that we cannot get that, we may issue bonds with shares as guarantees. When we privatise, we'll pay back that bond," said a spokesman for the Ministry for State-Owned Enterprises. So far, only $164m has been raised from the sale of shares in Semen Gresik, a cement company. **Diarmid O'Sullivan, Jakarta**

**MALAYSIAN ECONOMY**

### Trade surplus narrows

Malaysia's trade surplus narrowed in January, reflecting a still contracting economy. The surplus in January was M$4.3bn (US$1.1bn) compared with a surplus of M$6.7bn in December. Exports fell 15 per cent month-on-month and 3 per cent year-on-year. Imports were down 8.9 per cent month-on-month and fell 12.5 per cent from a year earlier. Economists say the fall in exports was partly the result of poorer manufacturing output and partly because there were fewer working days. Over half of the export earnings came from electronics. **T.J. Tan, Kuala Lumpur**

## INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

| | UNITED STATES | | | | | JAPAN | | | | | GERMANY | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money (M1) | Broad Money (M2+CDs) | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
| 1989 | 1.0 | 4.2 | 8.99 | 8.50 | 3.43 | 4.1 | 10.6 | 5.31 | 5.16 | 0.48 | 6.3 | 5.7 | 7.12 | 6.90 | 2.22 |
| 1990 | 3.6 | 5.5 | 8.06 | 8.55 | 3.60 | 2.6 | 8.5 | 7.62 | 6.90 | 0.65 | 4.5 | 4.5 | 8.49 | 8.66 | 2.11 |
| 1991 | 6.0 | 3.7 | 5.87 | 7.86 | 3.21 | 5.2 | 2.0 | 7.21 | 6.40 | 0.75 | 5.1 | 5.6 | 9.25 | 8.42 | 2.38 |
| 1992 | 12.5 | 1.9 | 3.75 | 7.00 | 2.95 | 4.5 | –0.4 | 3.78 | 5.24 | 1.00 | 7.0 | 8.1 | 9.52 | 7.80 | 2.45 |
| 1993 | 11.6 | 1.1 | 3.22 | 5.86 | 2.78 | 3.0 | 1.4 | 2.95 | 4.18 | 0.87 | 9.4 | 7.8 | 7.28 | 6.47 | 2.11 |
| 1994 | 6.2 | 1.4 | 4.67 | 7.08 | 2.86 | 5.4 | 2.9 | 2.23 | 4.20 | 0.78 | 9.6 | 9.0 | 5.36 | 6.86 | 1.77 |
| 1995 | –0.2 | 2.1 | 5.93 | 6.57 | 2.61 | 8.2 | 3.2 | 1.22 | 3.39 | 0.86 | 3.7 | 0.6 | 4.53 | 6.82 | 2.00 |
| 1996 | –3.2 | 4.8 | 5.41 | 6.43 | 2.15 | 13.7 | 2.9 | 0.58 | 3.03 | 0.75 | 10.4 | 7.5 | 3.31 | 6.21 | 1.81 |
| 1997 | –3.3 | 5.0 | 5.59 | 6.34 | 1.73 | 8.8 | 3.8 | 0.59 | 2.34 | 0.87 | 8.4 | 6.2 | 3.32 | 5.65 | 1.45 |
| 1998 | 0.9 | 7.4 | 5.38 | 5.26 | 1.46 | 8.1 | 3.9 | 0.72 | 1.49 | 1.01 | 6.6 | 4.4 | 3.54 | 4.56 | 1.31 |
| 1st qtr.1998 | 0.0 | 6.5 | 5.47 | 5.60 | 1.51 | 9.5 | 4.5 | 0.94 | 1.88 | 0.97 | 5.1 | 3.6 | 3.54 | 5.01 | 1.32 |
| 2nd qtr.1998 | 1.3 | 7.2 | 5.50 | 5.59 | 1.42 | 7.9 | 3.4 | 0.64 | 1.63 | 0.99 | 6.3 | 4.0 | 3.61 | 4.89 | 1.22 |
| 3rd qtr.1998 | 0.6 | 7.3 | 5.45 | 5.19 | 1.47 | 7.8 | 3.8 | 0.68 | 1.39 | 1.03 | 6.0 | 4.2 | 3.51 | 4.39 | 1.25 |
| 4th qtr.1998 | 1.8 | 8.5 | 5.10 | 4.66 | 1.42 | 7.3 | 3.9 | 0.61 | 1.09 | 1.07 | 9.0 | 5.6 | 3.52 | 4.00 | 1.44 |
| March 1998 | 0.8 | 6.8 | 5.48 | 5.64 | 1.44 | 8.6 | 4.5 | 0.84 | 1.62 | 0.96 | 5.5 | 4.0 | 3.52 | 4.90 | 1.28 |
| April | 1.4 | 7.0 | 5.48 | 5.63 | 1.41 | 8.1 | 3.6 | 0.71 | 1.62 | 0.98 | 7.2 | 4.0 | 3.63 | 4.90 | 1.24 |
| May | 1.4 | 7.2 | 5.51 | 5.66 | 1.42 | 8.0 | 3.9 | 0.62 | 1.37 | 0.99 | 5.6 | 3.7 | 3.63 | 4.96 | 1.23 |
| June | 1.1 | 7.3 | 5.51 | 5.49 | 1.42 | 7.4 | 3.4 | 0.60 | 1.28 | 1.01 | 6.1 | 4.3 | 3.56 | 4.80 | 1.19 |
| July | 0.7 | 7.3 | 5.50 | 5.45 | 1.37 | 8.1 | 3.5 | 0.74 | 1.42 | 0.95 | 5.0 | 4.2 | 3.54 | 4.69 | 1.14 |
| August | 0.0 | 7.1 | 5.50 | 5.33 | 1.48 | 7.9 | 3.8 | 0.75 | 1.47 | 1.02 | 5.9 | 4.0 | 3.50 | 4.42 | 1.22 |
| September | 0.9 | 7.6 | 5.35 | 4.80 | 1.58 | 7.6 | 3.8 | 0.55 | 1.05 | 1.11 | 7.2 | 4.5 | 3.49 | 4.04 | 1.38 |
| October | 1.7 | 8.2 | 5.10 | 4.52 | 1.56 | 8.6 | 3.9 | 0.58 | 0.86 | 1.18 | 8.1 | 5.0 | 3.57 | 4.03 | 1.53 |
| November | 2.0 | 8.5 | 5.15 | 4.84 | 1.39 | 7.7 | 4.3 | 0.62 | 0.92 | 1.02 | 8.0 | 5.5 | 3.63 | 4.10 | 1.38 |
| December | 1.7 | 8.8 | 5.07 | 4.65 | 1.33 | 5.7 | 3.9 | 0.62 | 1.47 | 1.03 | 11.1 | 6.2 | 3.37 | 3.87 | 1.39 |
| January 1999 | 1.5 | 8.7 | 4.82 | 4.71 | 1.27 | 5.2 | 3.6 | 0.67 | 1.86 | 1.05 | | | 3.14 | 3.72 | 1.31 |
| February | | | 4.82 | 5.00 | 1.28 | | | 0.52 | 2.03 | 1.03 | | | 3.01 | 3.83 | 1.38 |

| | FRANCE | | | | | ITALY | | | | | UNITED KINGDOM | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Narrow Money | Broad Money | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money | Broad Money | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money | Broad Money | Short Interest Rate | Long Interest Rate | Equity Market Yield |
| 1989 | 7.6 | 10.0 | 9.40 | 8.79 | 2.88 | 7.2 | 5.5 | 12.42 | 11.61 | 2.46 | 5.9 | 17.4 | 13.96 | 10.11 | 4.38 |
| 1990 | 3.8 | 9.3 | 10.32 | 9.92 | 3.19 | 9.2 | 7.0 | 11.98 | 11.87 | 2.84 | 5.3 | 15.9 | 14.82 | 11.58 | 5.07 |
| 1991 | –4.7 | 2.3 | 9.62 | 9.03 | 3.58 | 7.3 | 5.9 | 11.83 | 13.20 | 3.45 | 2.4 | 7.9 | 11.58 | 10.08 | 4.97 |
| 1992 | –0.3 | 5.4 | 10.36 | 8.57 | 3.55 | 6.9 | 3.1 | 13.86 | 13.29 | 3.63 | 2.4 | 5.1 | 9.74 | 9.09 | 4.91 |
| 1993 | 1.1 | –3.0 | 8.55 | 6.75 | 3.21 | 4.7 | 2.8 | 10.22 | 11.23 | 2.35 | 4.9 | 3.5 | 5.99 | 7.40 | 4.01 |
| 1994 | 2.5 | 1.7 | 5.84 | 7.21 | 2.99 | 6.6 | 3.6 | 8.48 | 10.56 | 1.67 | 6.4 | 5.1 | 5.57 | 8.01 | 3.94 |
| 1995 | 7.2 | 4.4 | 6.60 | 7.53 | 3.17 | 0.4 | –1.8 | 10.38 | 12.22 | 1.72 | 5.9 | 7.3 | 6.77 | 8.16 | 4.15 |
| 1996 | 0.6 | –3.7 | 3.94 | 6.32 | 3.05 | 1.0 | 0.2 | 8.75 | 9.43 | 2.19 | 6.7 | 10.0 | 6.11 | 7.79 | 4.08 |
| 1997 | 6.4 | 1.7 | 3.46 | 5.56 | 2.58 | 8.8 | 9.0 | 6.83 | 6.83 | 1.91 | 6.2 | 11.2 | 6.94 | 7.02 | 3.59 |
| 1998 | 3.0 | 2.7 | 3.56 | 4.64 | 2.20 | 10.5 | 8.1 | 4.95 | 4.90 | 1.37 | 6.1 | 9.6 | 7.41 | 5.52 | 3.03 |
| 1st qtr.1998 | 9.4 | 4.3 | 3.58 | 5.03 | 2.23 | 8.8 | 9.0 | 5.89 | 5.36 | 1.33 | 6.8 | 10.5 | 7.55 | 6.02 | 3.05 |
| 2nd qtr.1998 | 9.9 | 4.7 | 3.60 | 4.95 | 1.98 | 13.2 | 10.4 | 5.11 | 5.16 | 1.23 | 6.2 | 9.9 | 7.57 | 5.80 | 2.85 |
| 3rd qtr.1998 | 8.7 | 4.8 | 3.55 | 4.52 | 2.18 | 10.3 | 6.9 | 4.91 | 4.77 | 1.42 | 6.0 | 9.5 | 7.67 | 5.50 | 3.08 |
| 4th qtr.1998 | 3.0 | 2.7 | 3.49 | 4.10 | 2.40 | 9.7 | 6.1 | 3.92 | 4.32 | 1.48 | 5.4 | 8.5 | 6.87 | 4.79 | 3.13 |
| March 1998 | 9.4 | 4.3 | 3.57 | 4.94 | 2.09 | 10.1 | 9.4 | 5.56 | 5.21 | 1.19 | 6.7 | 10.0 | 7.57 | 5.96 | 2.89 |
| April | 10.7 | 4.9 | 3.63 | 4.95 | 2.04 | 12.9 | 10.7 | 5.18 | 5.16 | 1.13 | 6.7 | 10.6 | 7.51 | 5.80 | 2.82 |
| May | 10.5 | 4.8 | 3.61 | 5.02 | 1.98 | 12.6 | 10.1 | 5.07 | 5.22 | 1.26 | 6.3 | 9.7 | 7.48 | 5.84 | 2.84 |
| June | 9.9 | 4.7 | 3.57 | 4.88 | 1.93 | 14.1 | 10.5 | 5.10 | 5.10 | 1.31 | 5.5 | 9.5 | 7.72 | 5.77 | 2.90 |
| July | 8.8 | 4.8 | 3.56 | 4.79 | 1.94 | 11.6 | 8.1 | 4.85 | 4.98 | 1.28 | 5.8 | 10.2 | 7.80 | 5.84 | 2.87 |
| August | 7.6 | 4.7 | 3.56 | 4.54 | 2.18 | 9.6 | 6.4 | 4.93 | 4.80 | 1.36 | 6.2 | 9.0 | 7.74 | 5.54 | 3.10 |
| September | 8.7 | 4.8 | 3.54 | 4.22 | 2.44 | 9.6 | 6.1 | 4.98 | 4.53 | 1.61 | 5.9 | 9.2 | 7.47 | 5.10 | 3.28 |
| October | 8.2 | 5.1 | 3.55 | 4.19 | 2.61 | 8.9 | 6.3 | 4.49 | 4.49 | 1.69 | 5.5 | 9.1 | 7.20 | 4.98 | 3.34 |
| November | 5.6 | 3.4 | 3.58 | 4.22 | 2.31 | 9.2 | 6.0 | 3.93 | 4.43 | 1.42 | 4.8 | 8.4 | 6.97 | 4.91 | 3.05 |
| December | 3.0 | 2.7 | 3.33 | 3.91 | 2.26 | 10.5 | 6.1 | 3.35 | 4.04 | 1.35 | 5.8 | 8.0 | 6.44 | 4.49 | 3.00 |
| January 1999 | | | 3.14 | 3.79 | 2.11 | | | 3.16 | 3.93 | 1.26 | 5.6 | 7.3 | 5.89 | 4.26 | 2.88 |
| February | | | 3.09 | 3.92 | 2.09 | | | 3.11 | 4.06 | 1.41 | 5.2 | | 5.61 | 4.40 | 2.81 |

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

NORTHERN IRELAND

# Deadlock on arms leads to delay in shift of powers

By John Murray Brown in Belfast

The UK government yesterday delayed plans to shift powers to Northern Ireland this week, giving local parties a further three weeks to resolve their differences in time to set up the power-sharing government on March 29.

Mo Mowlam, chief Northern Ireland minister in the UK government, said March 29 was a "natural deadline" marking the first anniversary of the peace agreement and coming ahead of the European elections and the start of the traditional marching season of the Protestant Orange Order, when tensions are expected to rise.

The delays came as the British and Irish governments formally signed four treaties, to set up new institutions in the Northern Ireland administration.

Speaking at the signing in Armagh, Northern Ireland, David Andrews, foreign minister of the Republic of Ireland, said agreement was "so tantalisingly close we cannot allow ourselves to contemplate failure". The process is currently deadlocked, with the Ulster Unionists insisting the IRA make a start to decommission their arms before Sinn Féin can members become ministers.

Ms Mowlam said: "No one wants to go [on] after Easter to face the Euro elections and the marching season, which will not be a positive backdrop. I'm only losing three weeks, but it's three weeks, [which] if well spent would deliver progress. I can't guarantee it will work; and you ought to know there is no Plan B."

The announcement prompted an angry response from Sinn Féin, the IRA's political wing. Gerry Adams, the party president, said after a meeting with Bertie Ahern, Irish prime minister: "What we have is the British government acquiescing, even temporarily to a unionist veto."

*Mr Adams is due to meet* today with David Trimble, the Ulster Unionist leader and first minister in the new *Northern Ireland administration*. But he warned yesterday of "crisis time, big time", saying it was now up to the two governments to "rescue" the process.

He said it was a mistake to shift the deadline. "Indeed, I think they have only done it because David Trimble has threatened to walk. In all of this, if the governments – and effectively the British government in this context – do not uphold the agreement, *who is going to do it?*"

But Reg Empey, the Ulster Unionist assemblyman, accused Sinn Féin of "cold war *rhetoric*" and "*scurrying* to Dublin to shore up their crumbling position".

If no breakthrough is forthcoming, attention will shift to Washington next week where President Bill Clinton will host a reception for unionist and nationalist politicians to celebrate St Patrick's Day.

The unionist position has softened in recent days. Senior officials have pledged the executive could be set up "*within hours*" of the start to disarmament.

John Taylor, the deputy leader who will accompany *Mr Trimble, says the party is* prepared to accept the assessment of General John de Chastelain, the Canadian general appointed to oversee decommissioning, on whether the IRA has started to disarm.

The continuing stand-off comes as the Belfast Chamber of Commerce confirmed it had received threats from the Black Friday Brigade, a previously unknown loyalist terror group, which demanded an end to business contacts with the Irish Republic.

A similar letter was sent to the local Confederation of British Industry office and the Institute of Directors.

Sinn Féin's Gerry Adams (left) and Bertie Ahern, Irish premier, held talks yesterday in Dublin on the issue of arms decommissioning Reuters

## System set to locate position of mobile phone user

By Alan Cane in London

A small UK company is preparing to launch a low-cost system for calculating the position of a mobile phone to within a few metres. Handsets for a test of the system will be supplied by Maxon of South Korea.

The technology will be able to locate phone users in emergencies, or provide them with travel information such as directions to hotels or restaurants in unfamiliar cities.

The Federal Communications Commission, the US telecommunications regulator, has already demanded *that by October 2001, all* mobile phones must be able to locate their users for emergency calls.

Cambridge Positioning Systems, a professionally managed company formed by university academics, is preparing to run a big trial in Cambridge this year.

At least 500,000 handsets *will be fitted with CPS's* "Cursor" technology under the deal with Maxon. The trial will be carried out with a leading mobile phone operator and a roadside assistance organisation, both as yet unnamed. Analysts yesterday noted Vodafone, the UK's largest mobile operator, is a leading customer for Maxon's handsets, and that it already operates a traffic monitoring service.

Customers will pay little or nothing for the positioning service because it involves only software modifications within the handset. *It will work in towns, cities* and within buildings unlike technologies based on global positioning satellites which require line-of-sight between the handset and the satellite.

Chris Wade, CPS chief executive, said Cursor provided accuracy and privacy – the location of the handset is calculated only when it is transmitting.

THE ECONOMY AMMUNITION FOR CHANCELLOR OF THE EXCHEQUER IN PREPARING TODAY'S BUDGET STATEMENT

# Output data raise hopes for manufacturing

By Christopher Adams, Economics Staff

Manufacturing output increased in January for the first time in six months, raising hopes that the sector may emerge from recession and the economic slowdown will be short-lived.

The Office for National Statistics said yesterday that manufacturers lifted production by a seasonally adjusted 0.1 per cent in January from the previous month.

The unexpected increase provides Gordon Brown, chancellor of the exchequer, with fresh ammunition to deflect criticism from gloomy economists who say his growth forecasts are excessively optimistic. Mr Brown is unlikely to drastically alter his prediction of a "soft landing" when he delivers his Budget statement in the House of Commons today.

The National Institute of Economic and Social Research yesterday supported the view that the UK would avoid recession. The overall picture was flat.

**The Budget on FT.com**

The Budget measures will be covered in detail on the FT web site at FT.com/budget soon after the chancellor of the exchequer starts to announce them in the House of Commons at 15h30 London time today

"There is no evidence of a decline in GDP and we would now expect it to begin to grow again in response to cuts in interest rates and faster growth in public spending," it said.

Total industrial production fell more steeply than expected in January, down by 0.5 per cent from December, the ONS said. But most of the decline was accounted for by the energy and utilities sectors, where output tends to be erratic. The modest rebound in manufacturing – output fell 0.6 per cent in December 1998 – offered the first hard evidence of a possible recovery hinted at in recent surveys.

City economists remained cautious. "It would be premature to conclude that this is a recovery," said David Mackie of JP Morgan, the investment bank.

In the three months to the end of January, manufacturing output fell 1.0 per cent from the previous quarterly period. Mr Mackie said a widely anticipated rundown in inventories and a decline in capital spending could depress production further.

Manufacturers' profit margins are still being squeezed, with factory gate prices falling again in February. But the rate of decline has slowed.

● The chancellor's third budget since the Labour government came to power almost two years ago will be the one that most explicitly shifts resources towards the low paid. *Our Political Editor* writes. It will set a date for the long-awaited introduction of a starting rate of income tax of 10p in the pound, compared with the present 20p.

This is intended to complement the working families tax credit – to be introduced in April 2000 – and the planned national minimum wage in providing a significant boost to the income of the low paid.

The combined measures should mean no one earning the minimum wage of £3.60 ($5.79) an hour should pay income tax.

# Stores differ on Lewinsky launch

Monica Lewinsky, the former White House intern, began a two-week UK tour yesterday with a book-signing ceremony at Mohamed Fayed's Harrods store in London, **Jimmy Burns writes.** "*We have never had* a book signing like this," said Harrods spokesman Peter Willasey. "Miss *Lewinsky has proved to be* the most popular guest to have ever visited the store for a book signing."

Ms Lewinsky signed 450 copies of *Monica's Story* in two hours and 700 were reserved by telephone. Harrods said this surpassed signings by Baroness Thatcher, former UK prime *minister, Mikhail Gorbachev*, former Soviet leader, and Sarah Ferguson, Duchess of York.

*Mr Willasey denied Ms* Lewinsky burst into tears after signing just five copies. "She has 'flu. She is a bit snuffly," said Mr Willasey, minutes after she was briefly hustled away by chaperones.

Ms Lewinsky, under contract to a UK TV channel that is selling on her interview worldwide, declined to answer questions about President *Clinton*.

Monica Lewinsky falters before briefly quitting a London signing

Among buyers was Thomas Wolfe, a Methodist preacher from Pennsylvania, *on a tourist visit to the UK*. "It's difficult to sympathise with her but then I don't think anyone involved in the affair has come out with any credit," Mr Wolfe said.

In nearby Sloane Square, no-one seemed in a hurry to read *Monica's Story*. H. "We haven't sold a copy," said Robin Wells, manager of W.H. Smith, the retailer.

# BMW to unveil plans for Rover factory

By John Griffiths in London

BMW chairman Joachim Millberg tonight is expected to confirm that the German group will go ahead with replacements for the Rover 200 and 400 models, but without giving assurances they will be built at Rover's Longbridge *factory* in the English *Midlands* where the current range is produced.

The announcement is expected at the Geneva Motor Show. But BMW will not be in a position to say where the cars will be built until it has received the UK government's response to its application for £150m-£200m aid, expected by May.

*Output at the Longbridge* plant will rise to 700,000 vehicles year if the UK government and BMW strike a *deal over aid*. But people close to the project – said to cost more than £1bn – said yesterday that Longbridge remains the preferred site and that the plan is more ambitious than simple model replacement. It involves output of up to 500,000 cars annually within a purpose-built factory. Last year 252,000 Rover 200 and 400 models were produced. The new models are planned to include sports-utility, multi-purpose vehicle and other niche models in addition to mainstream versions.

A new compact production facility would be created within the sprawling Longbridge site and surplus land would be sold off. This has already happened at Rover's Cowley plant, where Rover and its parent have spent nearly £800m producing the Rover 75.

The 500,000 cars would be in addition to 150,000 new Minis, to be built at Longbridge from next year, and around 20,000 MGF sports cars. *Longbridge's total* output last year was 281,000. But the much greater efficiency of the new facilities would still mean several thousand job losses among Longbridge's 14,000 workers.

Mr Millberg, who took over from ousted Bernd Pischetsrieder only a month ago, will be in no position to *comment on location tonight* because of the way the aid process is constructed.

BMW's application gives *figures* showing that the project could be located more profitably in Hungary *or other sites outside the* European Union in the absence of aid. Under EU rules on state aid, it is necessary to demonstrate a real possibility that a project could go outside the EU unless financial assistance were forthcoming.

### Former R-R chief to revive Jensen

Graham Morris, chief executive of Rolls-Royce *Motor Cars until resigning* "on principle" seven months ago, is heading the relaunch of Jensen as a sports-car *manufacturer*, more than 20 years after the last car was made, **John Griffiths writes.**

Jensen *Motors*, revived as a private company under the control of Creative Design, an engineering consultancy and tooling specialist, is planning initial production of 200-300 cars a year of a £39,000-£43,000 sports *two-seater. Mr Morris is a* former management board member of Volkswagen's Audi subsidiary.

## NEWS DIGEST

MONETARY UNION

### Enthusiasm for euro dips, says fund manager survey

Fund managers have grown less convinced of the economic benefits of the UK joining European monetary union as the government has become more enthusiastic, according to a survey published yesterday. A poll of 78 institutions with $1,920bn of assets under management in the UK reflects a big upturn in economic optimism as well as possible concern about the political infighting over European economic policy. The survey, carried out by Gallup, the market researcher, for Merrill Lynch, the US investment bank, found that just over half the fund managers questioned – 54 per cent – think UK membership is economically desirable. This compares with 61 per cent in November 1997, just after Gordon Brown, the chancellor of the exchequer, first expressed the government's support for joining the single currency in principle. The survey was carried out just after Tony Blair, the prime minister, expressed his commitment to accelerating preparations for joining the euro last week. **Jane Martinson, London**

BREAST IMPLANTS

### Trilucent banned after 'events'

A breast implant was banned by the government yesterday after 74 reports of "adverse events" among the 5,000 women in Britain who have received them since their introduction in 1995. Private hospitals, which inserted about 70 per cent of the Trilucent implants, offered women a free consultation but it may fall to the state health service to pay for any removals. The government said it hoped private clinics would deal with the problem but it added: "The NHS [state service] will provide care for everyone who needs it."

Dr Jeremy Metters, deputy chief medical officer, said: "The Medical Devices Agency has received reports of local complications in a small number of women." Trilucent implants are not licensed for sale in the US, where they failed safety trials ordered by the Food and Drugs Administration. They are also banned in a number of European countries. Amanda Cameron, vice-president of Collagen International, which formerly supplied the Trilucent implants in the UK, insisted the products were safe. The implants are produced by the Swiss company Lipomatrix. **Simon Buckby and Clive Cookson, London**

BCCI COLLAPSE

### Ex-shipping chief appeals

Abbas Gokal, former chairman of the Gulf Group shipping line jailed for 14 years after being convicted of fraud over the collapse of the Bank of Credit and Commerce International, yesterday took his case to the Court of Appeal in London. Mr Gokal, who illegally defrauded the bank of $1.2bn, is appealing against both his conviction and sentence. The hearing continues. **John Mason, London**

RURAL PETROL STATIONS

### Numbers 'decline by a third'

The number of small unbranded petrol stations in rural areas fell by almost a third last year as competition and tight profit margins continued to shape the UK retail market. The Institute of Petroleum's annual survey showed a 31 per cent decline in the number of such stations, to 601. It also found supermarkets operated a record 977 forecourts by the end of 1998, a rise of 4.6 per cent on 1997, even though the government has clamped down on out-*of-town greenfield developments*.

The big oil companies have tightened credit policies towards small unbranded stations, which are further disadvantaged by having low sales volumes. **Robert Corzine, London**

THE COUNTRYSIDE

### Land opened to walkers


About 1.6m hectares of *mountain, moor*, heath and downland are to be opened up to walkers under long-awaited government plans on access to the countryside. Michael Meacher, environment minister, said legislation would be brought forward to give ramblers a *statutory right* to walk across some of the wildest countryside in England and Wales. But critics said Mr *Meacher's plans, which rely* on local agreements between walkers and landowners, were bureaucratic and fell short of the full "right to roam" once promised by the governing Labour party. Labour MPs have also criticised the choice of a prominent landowner and businessman, Ewen Cameron, to act as arbiter in disputes in his new role as chairman of the Countryside Agency. Mr Cameron, who has been criticised by walkers' groups for planting crops across a footpath on his farm, was confirmed yesterday as the government's countryside chief. **George Parker, London**

See Editorial Comment

# Society faces interrogation in aftermath of investigation into race-hate murder

Recent events show there are obstacles facing creation of a 'decent multi-racial' nation. **Deborah Hargreaves** reports

British attitudes towards ethnic minorities are being analysed as never before. A recent report into the killing of a black teenager by a white gang in London six years ago, and into the subsequent police investigation, has unleashed a national convulsion.

Tony Blair, prime minister, says the UK has a "mountain to climb before we have a decent multi-racial society we can all be proud of".

Rightwing commentators hit back at accusations of racism at the heart of British *society, saying civil liberties* would be infringed if all the report's recommendations were adopted.

Stephen Lawrence, a black student, was killed by a gang of racist thugs in south London in 1993. A bungled police investigation failed to secure a conviction. But the competence of the inquiry into the affair was itself called into question when its report inadvertently published names, and in some cases addresses, of police informants. Many of these have had to be given police protection from intimidation and possible attack from the chief suspects.

The retired judge who headed the inquiry has apologised and the government has removed the relevant chapter from the report's appendix on the internet – and from printed copies that had not been distributed.

The Metropolitan Police, who cover all of London except the City, hit back at the report's findings of "institutional racism" in its ranks and its definition of this, which refers to "unwitting" discrimination in the way the police deal with ethnic minorities. Many policemen and women acknowledge incompetence in the Lawrence case but deny the force is infected with institutional racism.

But events in the 12 days since the report appeared have suggested that its allegations demand attention.

One of the report's findings highlighted how often police in London used their *powers to stop* and search people from ethnic minorities. It said each incident should be recorded.

*Statewatch*, a Europe-wide civil rights monitoring organisation, said in a report yesterday that black people in England *were seven times* more likely to be stopped and searched by police than white.

This issue *surfaced in the* Court of Appeal last week. The hearing was the first successful challenge by a black man who had been searched by police and found not to be carrying any stolen goods or burglary tools. He *was awarded* damages of £1,500 ($2,415).

The Commission for Racial Equality, which monitors *discrimination* in Britain, said the plaintiff was a "brave man" to pursue the case. "There has been 15 years of clearly laid down guidance for the police on how this power should be used. There is now enough evidence that something is going very seriously wrong in the way the power is used," the commission said, adding that it could help stop other members of the public receiving similar treatment in the future.

The government last week highlighted the "dismal" record of police forces nationwide on race issues *with its own report* into police attitudes to race relations.

Inspectors found that 40 *per cent of the forces* investigated did not have a race relations strategy in place.

*Jack Straw, home secretary*, said that for too many chief officers community and race relations was "*something you give a tick to*", but not something they were embedding in the work of their police forces.

*Delegates at the annual* conference of the Royal College of Nursing, a trade union, were told yesterday that black nurses in the state health service were more likely to stay on lower grades for longer than white *colleagues and are less likely* to be promoted in specialist areas.

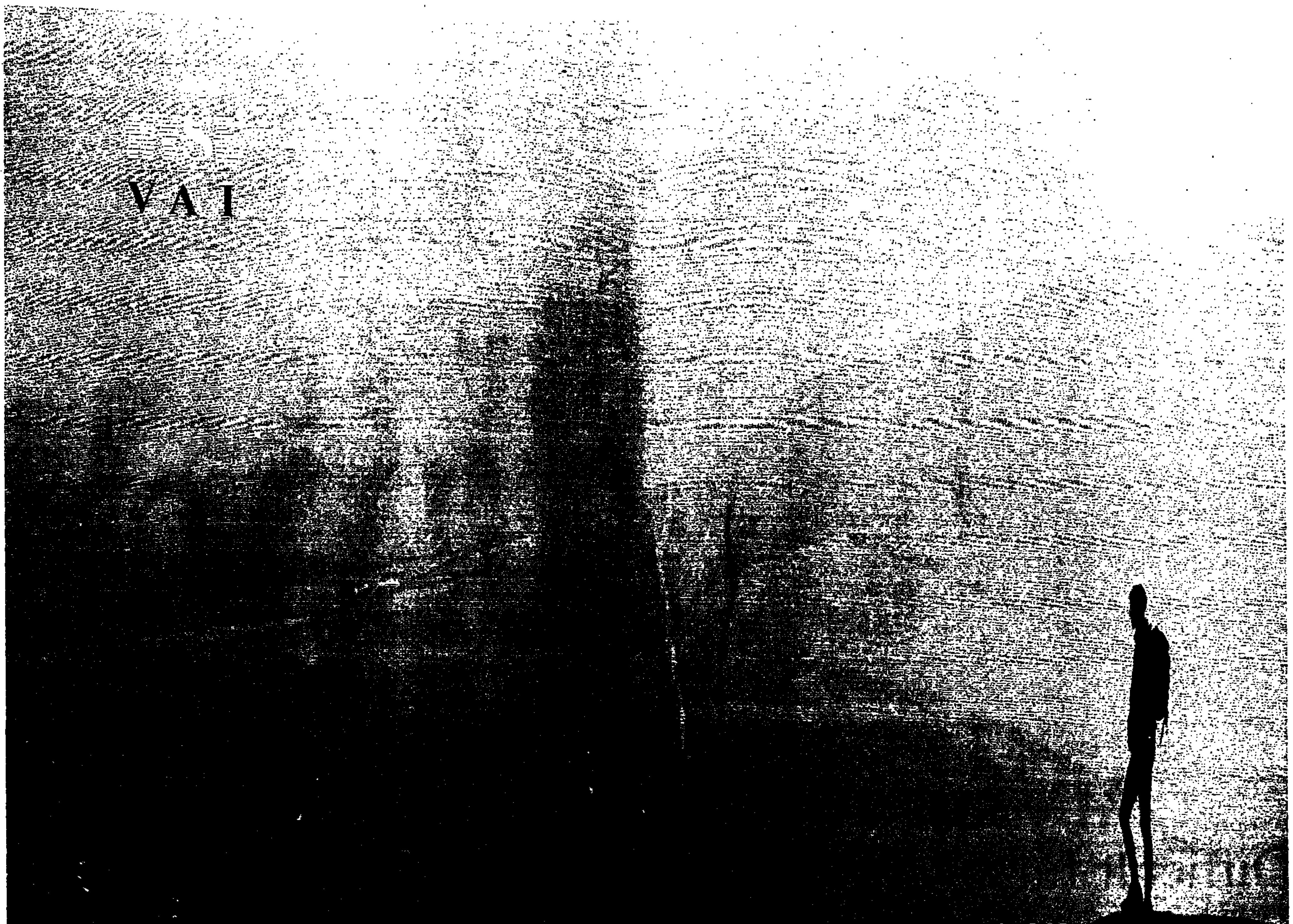
"Let's be very clear that *racism in the health service* still exists," said Christine Watson, union president.

Ministers are under *pressure from the Lawrence family* and members of the murder inquiry team to implement all the report's recommendations in full. The more radical of the 70 proposals have been criticised as unworkable. They *include the suggestion* that racist language, even when used at home, should be criminalised.

The report also gives a definition of racism which is so wide it would be almost impossible to include in legislation: "A racist incident is any incident which is perceived to be racist by the victim or any other person."

### Two soldiers arrested in police raid on racist group

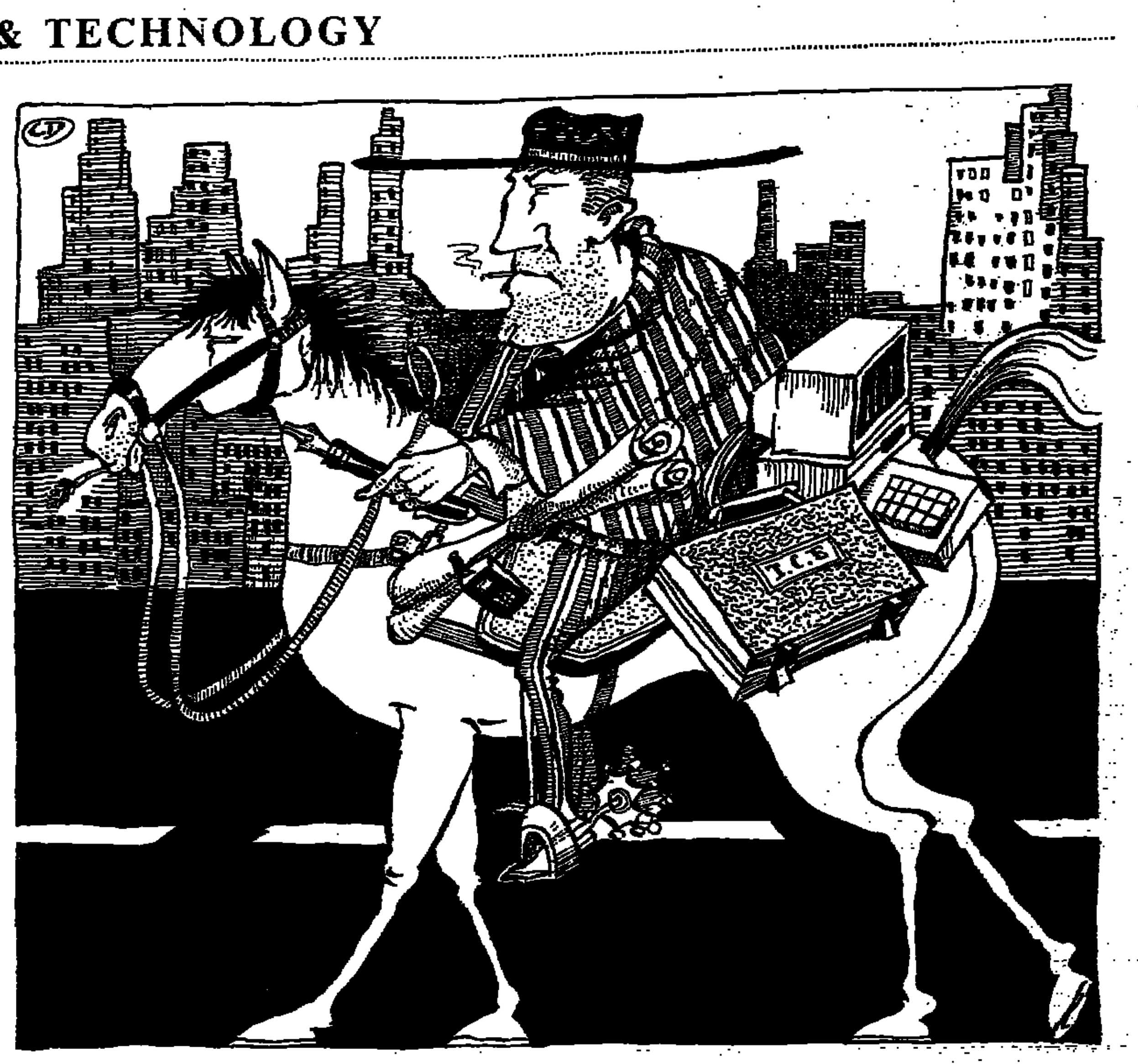
Three men, including two soldiers, have been arrested and bailed in a long investigation by police and intelligence services *into* Combat 18, a small and fiercely racist group. The number 18 refers to the first *and eighth letters of the* alphabet – A and H – the initials of Adolf Hitler. The Metropolitan Police at Scotland Yard in London said a long investigation had led to police searches in many parts of England for *material* including CDs and publications "intended or likely to stir up racial hatred". The Ministry of *Defence added: "There is no* home or hiding place for racism in the army. Our action here graphically demonstrates that." Two years ago the organisation, whose slogan is "White revolution is the only *solution*", *was said to have* been behind a letter-bomb campaign which targeted sport stars and celebrities in *mixed marriages*. Combat 18 is thought to have links with anti-nationalist paramilitary groups in Northern Ireland.



**MANAGEMENT** INTERIM EXECUTIVES

# How hired guns call the corporate shots

**Victoria Griffith** reports on the growing trend for companies to hire temporary chief executives who can take difficult decisions and see them through difficult times



When Steve Davis took over as chief executive of the New York advertising group Wells BDDP, he did so in the knowledge that he would soon be moving on.

That emotional detachment, he says, allowed him to recommend with little compunction an acquisition offer from Omnicom only a few months after his arrival in January last year.

"I wasn't worried about managing my own career within the company," recalls Mr Davis. "The sense of community and long-term relationships at Wells BDDP took a clear back seat to what I thought was best for the shareholders."

Mr Davis is part of a growing breed of interim chief executives who are hired to make tough decisions for troubled companies.

Unlike the traditional temporary CEO – a fill-in manager who "minds the shop" while the search for a permanent replacement goes on – they are an integral part of corporate strategy.

Sometimes, these interim personnel are specialists called on to see the corporation through a period of transition. They are often asked to play the "bad cop", sacking workers and managers and overhauling the business before the "good cop", in the form of the permanent chief executive, takes over.

Many companies, even blue chips, need temporary chief executives every now and then. They are usually board members, often significant shareholders in the company, and they agree to fill in to protect their interest while the corporation looks for a replacement.

Sometimes they stay longer. Steve Jobs, probably the most famous interim chief executive of the past two years, remains at Apple Computer.

> 'You have a licence to initiate rapid change and make decisions quickly. I love having a big challenge, a cause'

Bad cop chief executives are different. They are generally brought into highly troubled companies, and are expected to make tough decisions. Werner von Pein, who took over in late 1997 as interim CEO of the US division of Lavazza, the Italian coffee group, shed 25 per cent to 30 per cent of the workforce during his tenure.

At Green Flag, a US call centre for broken-down vehicles, Ron Barowski replaced many second-tier managers in an effort to turn the group around. "Of course, there is some tension in that kind of situation," says Mr Barowski. "You're better able to deal with it when you're coming in from the outside."

Interim chief executives require specific skills. They tend to flit from one troubled company to another and thrive on the pressure it creates.

"You have a licence to initiate rapid change and make decisions quickly," says Mr Davis. "I love having a big challenge, a cause. It gets me turned on."

Most commonly older managers with careers behind them, interim executives have generally built up expertise in a certain area and are looking to use it without taking on too great a commitment.

The sacrifices are substantial. Often, an interim chief executive must relocate. They may walk into a very tense and difficult situation, yet will usually have to leave their achievements behind within two years. But the work can be highly satisfying.

When Mr von Pein took over at Lavazza, his experience in US consumer products prepared him for an overhaul of the way the company was doing business in the US.

American supermarkets, he says, had been pressing Lavazza to support expensive events, such as tennis tournaments, in return for shelf space.

Mr Von Pein put an end to the practice, and instead negotiated cheaper promotions, such as free coffee tastings.

When he joined, Lavazza's parent in Italy was unsure whether to keep the US division open. Mr Von Pein says the short-term nature of his tenure gave the company the confidence to trust him with that decision.

"If it's your career that's at stake, of course you're going to lobby to keep the thing going," says Mr Von Pein. "They trusted me to tell them the truth."

Mr Von Pein did decide to keep Lavazza running in the US, and has turned the company's 1997 loss of $2m to a 1998 profit of $15m.

While still in its infancy, the practice of hiring interim chief executives to execute corporate strategy is gaining a following. Executive Interim Management, the Zurich-based executive search firm, opened an office in the US last year specifically to cater for companies requiring such services.

Ed Ryan, its managing director, says that his company does not provide straightforward stand-in candidates. "We don't do baby-sitting arrangements. We hire people who are needed to take a company through a period of change – whether it's reorganisation, consolidation, merger or acquisition – then step out of the picture."

That vision fits well with an increasingly popular concept: the notion that corporations require different kinds of managers at different moments.

"Sometimes, a company may have a sales and marketing problem, so it makes sense to bring in someone with that kind of expertise," says Mr Barowski.

"Other times, it may be a manufacturing problem, so you bring in someone with production or engineering experience. Companies pass through stages, and as their priorities change, they may need different kinds of chief executives."

**MANAGEMENT** DEERE TRACTORS

# Difficult furrow to plough

**Peter Marsh** reports on how the US farm machinery maker is trying to extend its market dominance into Europe

You are the world's biggest company in a specific field of manufacturing. But most of that dominance has been achieved in your main market, the US. How do you achieve a similar position in Europe?

That is the challenge facing Deere, the world's biggest maker of farm tractors – and one that Robert Lane, a 49-year-old former Frankfurt banker now tipped as its future chairman, has been working towards solving since he took over as head of the group's European operations last March.

Mr Lane's previous job at Deere – which in 1998 had sales of $13.8bn, well ahead of rivals such as Case and Agco of the US and Italian-owned New Holland – was chief financial officer at its headquarters in Illinois.

In western Europe, Deere is number three in the tractor industry. New Holland and Agco claim 19 per cent and 15 per cent market share respectively. On its own figures, Deere's share last year came to 14.8 per cent in units, up from 13.5 per cent in 1997.

In 1998 the total market in western Europe was 172,500 tractors, down slightly on the 175,000 in 1997. Deere predicts total tractor sales across the region will fall 10 per cent this year because of the worsening economic climate for farmers.

Achieving growth in this unpromising environment depends in part on greater manufacturing efficiencies, says Mr Lane.

On this score, some analysts believe Deere is hamstrung by its reliance on high-cost Germany as the centre of its European manufacturing operations.

> 'We must also develop new designs that will appeal to European farmers'

While Deere last year turned out 28,000 tractors in its main plant at Mannheim, Case, Agco and New Holland all have extensive manufacturing in the UK where labour costs are roughly half those of Germany.

However, Deere believes that its costs are under control – and that it can use the technical strengths of its German workforce to competitive advantage.

The workforce at Mannheim was cut from 4,000 in the late 1980s to 2,300. The company buys in components from non-Deere plants when this is more cost-effective. The only large tractor component made at Mannheim is the transmissions (gear boxes) – the rest is bought in from other Deere factories or outsourced.

The company has put much effort into improving quality, based on teams of specialist engineers called "master process professionals" who advise on reducing defects.

In the past 10 years Deere has spent some DM300m ($166m) at Mannheim improving machinery and reorganising product flow. The time taken to fulfil a specific order has been cut to four weeks from about three months a decade ago.

But, says Mr Lane, Deere must also develop new designs that appeal to European farmers, some of them based on principles used in machines sold in the US.

Deere's tractors worldwide are based mainly on six "families" of machine: platforms on which different elements, such as engines and transmission systems, can be fitted to suit products to different markets.

That system makes it fairly simple to swap design ideas. Some tractors made in Mannheim have a new transmission devised at the company's plant in Waterloo, Iowa. Conversely, a new concept in axle suspension (which gives the farmer a smoother ride), developed in Mannheim, is being introduced to some machines made in the US.

Deere, says Mr Lane, should be in a better position than many rivals to swap such ideas because of the scale of its worldwide manufacturing and engineering effort.

"Customers [in Europe] sometimes want to move to new machines in what amounts to a half-step," says Mr Lane. "They may not want all the bells and whistles, and the platform system provides us with a way of meeting their aspirations, at the same time as minimising costs."

The company is putting many of its 1,000 dealers in Europe through training courses to ensure they react quickly to new models, or service or finance packages. Mr Lane is keen for Deere to measure itself against companies such as Microsoft, Rank Xerox and Nike that pride themselves on good contacts with customers.

Even in what is a fairly mature manufacturing business, he says, engineers have to be aware of the potential for change: how, for instance, a new metallurgy process for making tractor components could provide weight and cost savings of perhaps 50 per cent.

"We should not just be looking to do things a little bit differently but be prepared to change completely the way we do business."

As for the euro, Mr Lane believes the price harmonising impact of the single currency will drive down the cost of manufacturing and distribution across the continent, to the advantage of big concerns such as Deere.

"Those companies with the best cost structures, product quality and marketing strengths will win out on the grounds that the market place will become more transparent. There will be losers... but we will gain ground."

Shifting ground: Lane believes Deere should be prepared to change

INFORMATION TECHNOLOGY BRIEFS

## Hewlett-Packard hand-held scanner's debut

Most scanners are far too bulky to be used for data capture while travelling. One exception is Hewlett-Packard's CapShare 910 "information appliance".

The HP CapShare 910 is a hand-held mobile device that runs on two AA batteries and can capture up to 50 A4 pages in black and white from any document.

"With just a single swipe, a user can capture information from a wide range of common media," says Ross Allen, project manager in the printing technology department at HP Laboratories.

The CapShare page-processing technology can reassemble the "swiped" swathes in six seconds to create a copy comparable to that produced by an office copier.

*www.capshare.hp.com*

## Chips down for computer thieves

Computer theft is estimated to have cost companies $8bn worldwide last year – equivalent to $120 for each PC purchased.

Until now, the most cost-effective deterrent has been a standard tagging system. This involves attaching barcode or radio tags to IT equipment and then monitoring movement through readers placed around a building.

However, an asset identification system developed by Atmel, a US-based semiconductor designer and manufacturer, takes this a big step forward by using "smart" asset identification chips containing memory and a two-way wireless.

With this system, each employee can be given an ID badge which can be read by an Asset Identification reader. If an employee attempts to carry an Asset Identification-enabled PC out of the building, the system interrogates the ID badge and the tag to check whether the user has permission to remove it.

The AT24RF08 chip costs $1.99 in volume and does not require any external power to function.

*www.atmel.com*

## DVDs herald end to CD-Roms

DVD (Digital Versatile Disc) drives have begun to replace CD-Rom drives as a standard feature on most high-end personal computers. Now DVD-Ram – rewriteable DVD – devices capable of storing up to 5.2Gb of data on a double-sided disc have begun to appear.

Panasonic, a leader in the DVD-Ram market, has added Microsoft Windows NT 4.0 drivers for its LFD101 drive, making it much more appealing as a storage option for corporate users.

The drive, which provides low-cost rewriteable storage at less than 1p per megabit, can also read all types of DVD and CD formats and costs £399 ($638), excluding tax, in the UK.

*www.panasonic.com*

## Compact organ rings changes

The Artifice pipe organ is no larger than an upright piano but still manages to accommodate 161 tin and hammered-lead pipes made by craftsmen in the Netherlands. Its compact size is made possible by substituting digitally sampled sounds for bulk bass pipes thereby combining the best of old and new technologies.

Rare Artifice: pipe organ

The organ, built by Brighton-based Artifice, also features a full Midi (musical instrument digital interface).

*Tel: +44-1273 572154*

## Fujitsu launches AI camera

Fujitsu, Japanese electronics group, will display a new artificial intelligence camera at the CeBIT exhibition in Hannover this month. The Fujitsu AI camera, intended for use in security and factory automation areas, not only captures images but provides vision-based control through image recognition technology.

The sensor can detect any movement in a designated area and monitors it so it can be identified on a screen. The camera comes with PC software which can set detection criteria, alarms and sensitivity.

Fujitsu says the system can not only monitor theft, but also traffic conditions and factory production lines.

*www.fujitsu.com*

**Paul Taylor**

TIM JACKSON
**ON THE WEB**

# An innovation pushing against the tide

Mailpush is linked to the dial-up system. The trouble is that the days of this form of internet access are numbered

Mailpush.com, an innovative service that notifies you of an incoming e-mail without requiring you to dial into the internet, may be an exception to one of the great rules of online entrepreneurship.

The rule does not yet have a name, but ought to be called the Tsunami Anticipation Principle. It lays down that a good way to identify opportunities is to look at changes affecting how people do business, and to imagine how different the world would look if such changes were to arrive as quickly and as overwhelmingly as a tidal wave.

The principle is then to behave as if the Tsunami has already arrived, and simply wait for the water to wash over and make the venture a success.

So why should there be exceptions to this rule? Well, if the anticipated change really will take time to come, and if the potential market in the meantime is big enough, it might make sense to place what looks like a bet against the inevitable.

Hence Mailpush.com. Most experts believe it is merely a matter of time before dial-up access to the internet dies out and is replaced by leased lines from company offices, cable TV connections from homes, and satellite links from remote locations.

Yet the Mailpush service is an answer to a set of questions that are raised only by the old-fashioned way of using the internet over the standard phone system.

Mailpush works by inviting the customer to provide details of his or her dial-up account. It then periodically checks over the net to see whether incoming messages have been received for this account. If there is mail waiting for the customer, Mailpush sends a notification to the customer's computer which pops up as an icon on the desktop.

The clever twist is that this is done over the phone – but at no cost. The Mailpush server dials the number of the customer's PC and sends a pulse down the line – which is detected by the customer's modem without picking up. Result: no cost incurred. So the customer benefits from frequent checking of e-mail without having to make lots of short calls that cost a few pennies each.

Of course, most US consumers do not have to pay for local phone calls anyway, so the Mailpush service is likely to be of little attraction to them.

But its originators – a company called NECS that is a subsidiary of BellSouth – do see markets in other parts of the world.

They launched a UK service last month, and expect to be doing business soon in Israel, Canada, South Africa, Korea and several other countries.

The advantage of serving multiple markets is that Mailpush can offer the free notification service to customers when they travel – so a Brit in Seoul can receive e-mail notifications, and at zero marginal cost. Instead of making an outbound international call to Korea from its London server, Mailpush merely makes a national call from a server in Seoul.

But the service is not free to customers. Although it is free for the first month, pricing after that ranges from £3.99 to £9.99 a month, depending on whether the customer pays for other services. These include notification by voice message to mobile phones, text message to pagers, and even the 'reading' of the full text of the e-mail itself by means of a text-to-speech conversion package.

In Mailpush's favour is the fact that it has bundled together a set of services that had been offered only by different providers. (The read-your-mail service, which sounds the most exciting, was covered in this column a year ago when offered by a Californian start-up called eNow.)

But the core problem with the service is that it is an answer looking for a question. Business users are already so commonly connected to the internet by leased lines that it is likely to be difficult to sign them to the service. And home users who get only two or three mails a week are unlikely to receive any that are important enough to warrant paying for the service.

So is there any way that this exception to the Tsunami Anticipation Principle could become a successful business? Maybe, if the company makes two important changes.

One is to beef up the filtering service. The ability to notify only when certain e-mails arrive – those from your boss, for instance, or those marked URGENT – is already part of the package.

But few customers are likely to have the patience to configure the filters appropriately. If the service could work with filters already used by the customerin his mail software, Mailpush might suddenly become commercially attractive to people with leased-line access who are also road warriors.

The second change would be to reform the pricing structure. The basic service, with notification to landline telephone by means of the no-cost pulse, should be free.

It might be supported by advertising, or the cost of value-added services might be increased to cover the basic infrastructure costs.

But the venture is still a risky one. My hunch is that dial-up internet access may disappear faster than many believe – and with it, services such as Mailpush.

*tim.jackson@pobox.com*

هكذا من الأصل

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# LEGAL NOTICE

No. 001466 of 1999

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

IN THE MATTER OF THE ENHANCED ZERO TRUST PLC - and - IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 24 February 1999 for the confirmation of the reduction of the amount of £56,551,498 standing to the credit of the share premium account of the above-named Company.

AND NOTICE is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 17th day of March 1999.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the under-mentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 9th day of March 1999

CLIFFORD CHANCE 200 Aldersgate Street London EC1A 4JJ Ref: KO Solicitors to the Company

# CONTRACTS & TENDERS

Office of the Director of Telecommunications Regulation

ODTR 99/09

OPENING THE MARKET FOR SATELLITE SERVICES - CONSULTATION PAPER

The Director of Telecommunications Regulation, Etain Doyle, wishes to announce the issue of document ODTR 99/09 - "Opening the Market for Satellite Services - Consultation Paper". Satellite Networks, as an alternative means of communicating, can provide a valuable addition to the telecommunications infrastructure in Ireland. The Director intends to develop a regulatory framework to provide for the establishment and operation of earth stations for space related radiocommunications, including public telecommunication, Very Small Aperture Terminals (VSATs) and certain types of mobile and receive only earth stations.

The paper seeks views on the proposed framework for the licensing and introduction of satellite services. Comments should be submitted in writing before 5pm on Tuesday 8th June, 1999.

Copies of the document may be obtained from:

Mr Noel Sorgen[illegible] Office of the Director of Telecommunications Regulation Abbey Court, Irish Life Centre Lower Abbey Street, Dublin 1 Phone: (00 353 1) 804 9600 Fax: (00 353 1) 804 9680

# LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT NO 001212 OF 1999

IN THE MATTER OF KLÖCKNER METAL SERVICES LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 17 February 1999 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of £[illegible].

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 17 March 1999.

ANY CREDITOR or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A COPY of the said Petition will be furnished to any such person requesting the same by the undermentioned Solicitors on payment of the regulated charge for the same.

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**For further information, please contact Richard Rendle, Guy Mander or Colin Gardner at Baker Tilly, Scottish Life House, 154 Great Charles Street, Birmingham, B3 3HN.**

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# MANAGEMENT

PEOPLE ON THE MOVE

## Dorman brings political nose to AT&T and BT venture

**David Dorman** probably knows as much as anyone about what makes joint ventures in the telecommunications industry work – or not work. And as head of the ambitious international venture between AT&T and BT, he is about to face his toughest challenge.

Dorman, 45, cut his teeth as a senior executive at Sprint, the long-distance carrier that was itself the result of a joint venture. While there, he was instrumental in negotiating what has turned out to be a spectacularly unsuccessful example of its breed: Global One, the international venture between Sprint, Deutsche Telekom and France Telecom.

So what determines the success, or otherwise, of such associations? "The key issue is politics," says Dorman, a native of Atlanta.

Before taking the job with AT&T and BT, he says he "extensively questioned the management of both companies – in different rooms". He was encouraged, he says, when both sides gave him the same answers.

The new job is likely to mean a move back to the east coast of the US after an eclectic recent period out west. Dorman was chief executive of Pacific Telesis, the Californian Baby Bell, but left little more than a year ago after he had sold the company to SBC Communications.

That led to a stint as head of PointCast, an early fallen star of the internet which now appears to be on the verge of being sold.

So will Dorman now take up home in AT&T's sprawling New Jersey headquarters in Basking Ridge? Certainly not, he responds – displaying the heightened political sensitivity he will need if he is to prosper in the space between two lumbering elephants of the telecoms industry.

*Richard Waters, New York*

## Board shake-up at Mattel

Jill Barad, who for two years has been one of the few female chief executives running the US's largest companies, is shaking up Mattel's boardroom after a difficult period for the toy maker behind Barbie dolls.

**Bruce Stein**, who returned to Mattel in August 1996 as chief operating officer, having worked there in the mid-to-late 1980s, is leaving. Stein, who rejoined the company from its arch rival, Hasbro, had a reputation as a prominent marketing strategist and brand builder.

Also leaving is **Gary Baughman**, the president of Mattel's Fisher Price division who came into the company through its 1997 merger with Tyco Toys. He will hand over the reins gradually to **Neil Friedman**, president of Tyco Preschool.

The shake-up follows Barad's comments last December that orders had come to "a screeching halt". Having seen traditional toys lose ground to higher technology games, Barad launched a $3.8bn bid for The Learning Company, an educational software company, three months ago.

Barad said Mattel's management structure would have to change if the company were to be transformed into "a children's products company with category leadership and expertise in new mediums, platforms and channels of distribution".

Friedman, the new president of Fisher Price brands, will take on responsibility for all Mattel's infant and preschool products.

He will be one of five executives heading individual business units, all of whom will report to Barad. Three others have been promoted to new responsibilities: **Matt Bousquette** will head the boys/entertainment unit; **Adrienne Fontanella** will run the girls/Barbie division; **David Haddad** has been put in charge of Mattel Media including Intel Play technology toys. Pleasant Rowland remains vice-chairman of Mattel and president of the Pleasant Company.

*Andrew Edgecliffe-Johnson, New York*

## Finance chief for Sears Roebuck

Sears Roebuck, the US department stores group, has found a finance director to replace Gary Crittenden, who left for Monsanto last August.

**Julian Day**, 46, is joining the group at a time when it is one of the few US retailers to be showing only sluggish sales growth.

British-born Day has spent seven years at Safeway in the US, as chief financial officer and executive vice-president. He will take the same title at Sears when he joins on March 22, and report to Arthur Martinez, chairman and chief executive.

"Julian's accomplishments in aggressively managing the financial and other operations of large, complex organisations – particularly a major retail company – make him a clear choice for the demanding role of Sears CFO," Martinez said.

Before Safeway, Day spent five years as a management consultant for companies owned by Kohlberg Kravis and Roberts, the US leveraged buy-out specialist. He was trained as a management consultant at McKinsey.

*Andrew Edgecliffe-Johnson, New York*

## Fresh strategy at Aker RGI

Aker RGI, a Norwegian holding company spanning interests in oil services, concrete and football clubs, has changed some important members of its executive team as part of a new corporate strategy launched last week.

The company has switched from being an active industrial owner to an investment company, with emphasis on purchasing, restructuring, developing and selling companies. The new structure, divided into industrial and financial holdings, will give it more flexibility to take investment decisions, it said.

The new direction follows the company's decision in January to co-ordinate, with Skanska of Sweden, the sale of its cumulative 73.5 per cent total share capital holding in Scancem, a Swedish cement company.

The planned sale will strip Aker RGI of one of its two core industrial holdings, leaving it with Aker Maritime, a Norwegian oil service company of which it owns 63 per cent.

As part of the reorganisation, Aker RGI will phase out the position held by **Gunnar Holt**, who will be stepping down this summer as executive vicepresident in charge of staff and its holdings in Aker Maritime and Scancem.

**Terje D. Skullerud** has taken over as chief financial officer replacing **Dag Wittussen**, who will move to head Aker RGI Seafoods. Skullerud has worked for the past 15 years in Sparebanken NOR, a Norwegian private bank.

Frank Reite assumed responsibility in January for Aker RGI's industrial holdings in yards and fisheries, while Helge Lund, 36, joined the group in December in a new position heading its non-listed units and financial holdings.

Lund will be responsible for acquisition and asset sales under his portfolio, including the proposed disposal of parts of Atlas-Stord, the leading supplier of machinery and processing facilities to the food freeze-drying industry, and Legend Properties, a US real estate acquisition and development company.

*Valeria Sköld, Oslo*

David Dorman: joint venture AP

## Cross to direct IIED think-tank

The International Institute for Environment and Development, a London-based think-tank, has appointed **Nigel Cross** as its executive director.

Cross currently heads the Panos Institute, an international organisation that disseminates information about sustainable development issues.

He will take over from Richard Sandbrook, who has headed the IIED for a decade, in September. Sandbrook has decided to resign "in the belief that change is essential in an organisation that wants to be ahead in the complex field of environment and development".

Cross, aged 46, has worked in the field of environment and development for nearly two decades. From 1985 to 1995, he was director of SOS Sahel UK, a voluntary agency working in Africa. As well as being executive director of the Panos Institute, which has offices in South Asia, Africa and Europe, he chairs ACORD, a consortium of non-governmental organisations working in sub-Saharan Africa.

The IIED, which was founded in the US in 1971, is credited with being one of the first organisations to demonstrate the interdependence of environment and development.

It has worked on numerous issues including water resources, energy, economics, development aid processes and the debt crisis.

*Vanessa Houlder, London*

## Romney picks up Olympic torch

If the burghers of Salt Lake City had called up central casting and asked for someone to drag them out of their Olympic morass, they could hardly have hoped for a better candidate than **Mitt Romney**.

A former Mormon missionary, Romney, the new head of Salt Lake City's Olympic committee, has the youthful good looks and energetic drive of the Senatorial candidate that he once was (he lost, respectably, to Edward Kennedy in 1994.)

He also makes no bones about the way the Olympics has turned into a circus that has become too subservient to its corporate backers. "If ever there was an organisation that needs to be refocused, it's the Olympics," he says.

Despite that, Romney has the sort of background that should appeal to concerned Olympic sponsors. Politics is in his blood – his father, Michigan governor George Romney, ran unsuccessfully against Nixon in the late-1960s.

In addition, as founder and long-time head of Bain Capital, he has established one of the best investment records in the buy-out business: he claims an annual rate of return of more than 100 per cent, the sort of performance that even the most leveraged funds have trouble beating. Investments range from Domino's, the pizza chain, to the Italian yellow pages company.

Romney also has some experience of righting unstable ships. He was called back to run the Bain management consulting group in the early 1990s, when a financial crisis nearly sank the firm.

After Salt Lake's bribery scandal, the job of raising the last $300m-$350m of sponsorship money to stage the $1.44bn games will not be easy – particularly with a criminal investigation by the Department of Justice under way. But Romney says he will not take a penny for his work over the next three years if the Games fail to turn a profit.

*Richard Waters, New York*

Jill Barad: new faces introduced to increase Barbie doll sales AP

## New subsidiary for J.E. Robert

**Russell Platt**, former managing director and head of global real estate at Morgan Stanley Asset Management in New York, and **Willem De Geus**, his Amsterdam-based counterpart, have left to set up a new subsidiary of the J.E. Robert Companies, the US-based opportunity fund.

The move shows the growing interest among so-called opportunity funds – which seek very high rates of return for short to medium-term investments in international real estate. These funds, which earned spectacular returns buying real estate in the US after the crash in the early 1990s, are now turning their attention to Europe and Asia.

Platt and De Geus's funds at MSAM were among the top performing real estate funds. Their flagship Morgan Stanley Dean Witter Institutional Fund outperformed Morgan Stanley Real Estate Investment Trust Index by an average 6.3 per cent annually in the four years to December 31 1998.

Platt, who will be based in London, will have responsibility for direct property investments. De Geus, who will remain in Amsterdam, will be responsible for investment in listed securities.

● **Thomas Napier**, head of Bank of America's loans syndications and realty finance group in San Francisco, has been named head of the bank's newly established European Real Estate Group, based in London.

The new team will be charged with aiding bank clients in putting their European real estate strategies into place, including the structuring of sale and leaseback transactions, securitisation of real estate loan portfolios and structured debt and equity transactions.

*Norma Cohen, London*

# The cosmos captured in intuitive abstraction

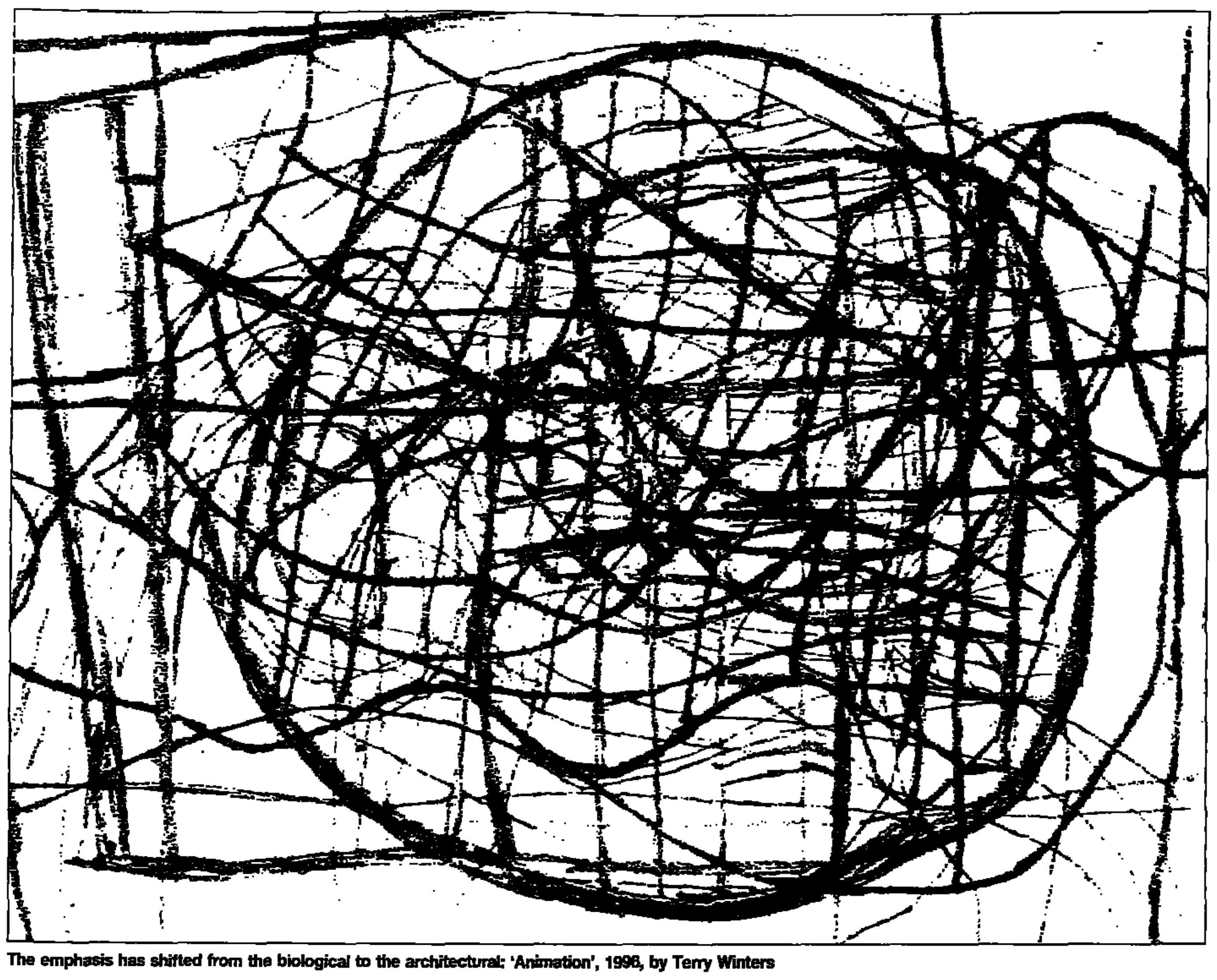
**William Packer** finds the work of an American and a French artist complementing one another

It is always a pleasure to see good, straight, old-fashioned modern painting, that everyone told us was over and done with, and this spring in London has proved to be a season of wonderful painting. With Monet at the Royal Academy and, from later this week, Jackson Pollock at the Tate, it has also been giving us a vindication of the virtues of intuitive, painterly abstraction – even though Monet would never have seen his last vast canvases as such. Now at the Whitechapel – where, with its high wide spaces and natural light paintings never look better – we have Terry Winters, an abstract painter of the post-war generation from New York.

Born in 1949, he was included in the mixed show of "New Art" at the Tate in 1983, and has shown widely in America and abroad in the years since, but not so much here. This exhibition of some 14 large canvases dating from the last three or four years, and a handful of works on paper, serves therefore at once to introduce and confirm here a reputation already well-established and accepted elsewhere.

All abstract painting, no less than painting of any kind, concerns itself with space – that is with the illusion or inference of space that the laying of one mark against or across another upon a plane surface inevitably conjures up. In his earlier work, not shown here, Winters would float a series of ambiguously organic forms – clusters of seeds, honeycombs, spermatozoa perhaps – across the painted ground, set around and against each other. And in the paintings here of the mid-1990s, these pod-like or vaguely biological images still remain. But now they take the form of more open and convoluted cellular structures and, rather than being set out together, side by side, they are laid successively one upon another, transgressing and obscuring the richly-painted ground even as they lead the eye through into the deep, almost cosmic space beyond.

In the most recent paintings, though still loose, open and natural in the handling, the image or figure has shifted slightly from its suggestion of the organic towards something more mechanical or architectural, vertical and horizontal rather than cursive in emphasis – like nets or meshes, forests of scaffolding.



The emphasis has shifted from the biological to the architectural: 'Animation', 1996, by Terry Winters

This is painting in which the image is not something imposed, conceived or observed beforehand: it grows out of the process of its making. In this it sits happily in the Abstract Expressionist tradition, looking to Pollock in particular, and to the following generation of Twombly and Guston. Its very painterliness is seductive, at once relaxed and controlled.

In confirmation of the recent shift in Winters' interest from the biological to the apparently mechanical, we are told that he has become engrossed in the graphic power of the computer and the creative opportunities it affords. As he says himself: "the way mathematical formulas can be programmed into a computer and can almost exactly simulate natural forms is profoundly moving."

Maybe, and we must take his word for it, but that "almost" of his does rather give the game away. The actual paintings give the lie in practice, for always they escape the programme, go beyond it into something new and personal and strange. Indeed, for anyone with experience of migraine and the mental imagery the condition can sometimes induce, they seem oddly familiar in their structural development – essentially organic, insistent in their regularity yet never mechanical, always the product of mind rather than micro-chip. We may marvel, in contrast, at the meticulous complexity of the computer-generated image but, after the initial shock, are not surprised. In this connection, we are only surprised at him, and his new-found interest.

★

The exhibition in the Whitechapel's upper gallery of the work of the French artist, Henri Michaux (1899-1984), is a happy complement to Winters in this context, for here much of the imagery is consciously related to the hallucinogenic visual state induced by the drug mescaline, the experimental drug of choice of the Surrealist *avant-garde*. Michaux, writer turned painter, was concerned with the idea of language as its own image, rendered as pure notation or pseudo-text, which puts him on the one hand close to the Surrealists and their interest in the freeing of the subconscious, psycho-analysis and the psycho-therapy of automatic writing; and, on the other, to Zen and the more formal ancient calligraphic traditions of China and Japan.

The difficulty, of course, is that not being a Zen Master himself, anything goes. "I paint just as I write", he said. "To discover, to rediscover myself, to find what is truly mine, that which, unbeknown to me, has always belonged to me. To experience at once the surprise of it and the pleasure of recognising it." Well, there's no answer to that. But just as we are beginning to get irritated by each repetitive, undifferentiated, self-indulgent squiggle, and self-exculpatory remark – "I note with a secret joy which becomes increasingly evident this leakage from the line of my drawing, in the water and the all-pervading seeping", whatever that means – suddenly there are one or two large sheets of a true if abstract calligraphy, signifying nothing but itself, masterly in its sustained and unifying control overall of line and rhythm, blot and squiggle and seep – and suddenly, oddly, we are back with Pollock and Monet and works of art. They are extremely beautiful, these one or two.

**Terry Winters: supported by Akeler; and Henri Michaux: supported by the Institut Francais and the Association Francaise d'Action Artistique. Both at the Whitechapel Gallery, London E1 until April 25.**

**OBITUARY** STANLEY KUBRICK

# Film director who kept his eyes wide open

Stanley Kubrick, who died yesterday aged 70, was the most famously enigmatic filmmaker in the world. Impenetrably private himself, his films were ambitious, often spectacular fables that moved boldly between genres – from war satire to space epic, from futuristic comedy to costume romance – yet whose "message" could be as abstruse, as forbiddingly opaque, as their maker.

Though not always successful at the box office, Kubrick had legendary freedom to choose his projects and casts (often big stars such as Jack Nicholson or Tom Cruise) and to turn shooting schedules into marathons undreamt of by any other director. His latest film, *Eyes Wide Shut*, a psychological-erotic thriller due out this summer, took Cruise and Nicole Kidman out of Hollywood circulation for virtually two years.

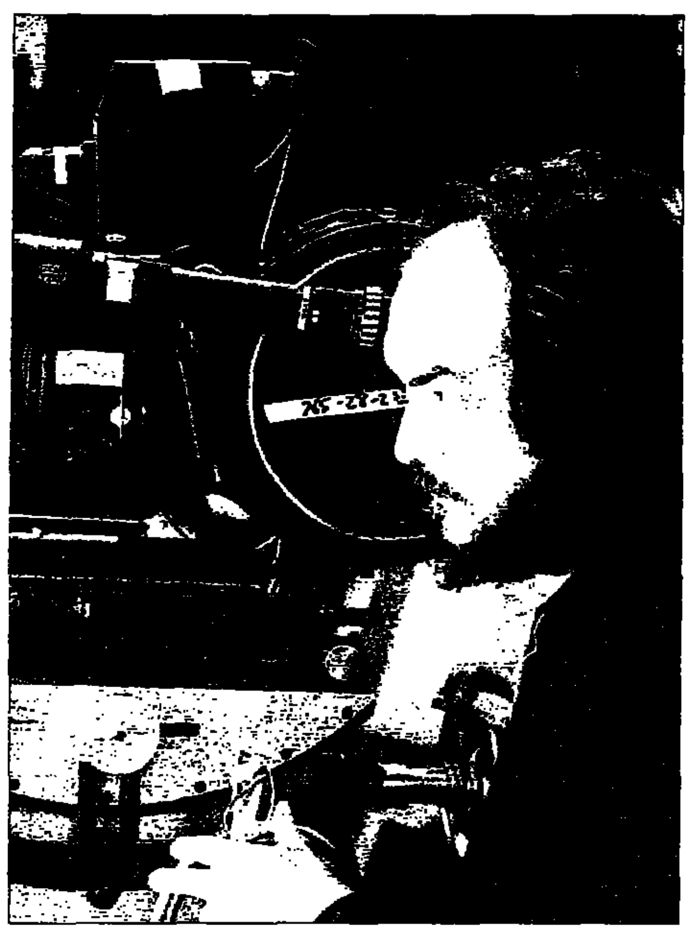
His finest decade remains the 1960s, when he followed the brutally funny nuclear comedy *Dr Strangelove* with a work regarded as the most expensive "underground movie" ever made. *2001* spurned the safety of a linear plot to create a dazzling set of interlocked, riddling variations on the theme of man's role in the universe, the mysteries of time and the circling patterns of history and evolution. Probably no other big-budget director ever could have risked baffling audiences with a sci-fi epic that climaxed in a psychedelic space-trip (long before *Star Wars*) before slowing to a coda set in an 18th century interstellar bedroom.

Kubrick believed in stories as giant chess games and cinema as an artistic-dramatic extension of anthropology. The least sentimental of directors, he had a fierce, sometimes demonic detachment from his characters, whether manoeuvring them through hostile landscapes as pawns in history (*Paths Of Glory*, *Spartacus*, *Barry Lyndon*) or locking them in metaphorical pressure chambers to be tested to the limits of courage or cowardice (*The Shining*, *Full Metal Jacket*).

Kubrick the observer-filmmaker began as Kubrick the photographer. Born in the Bronx, New York on July 26 1928, he was encouraged by his father, a doctor, to take up photography and by 17 he was working for Look magazine. A brief spell as a documentary-maker led to a mini-budget feature that he funded himself. *Fear And Desire* (1953), scripted, produced, directed, edited and photographed by Kubrick, gave him the modest clout to set up his first two quasi-commercial features, *Killer's Kiss* (1955) and *The Killing* (1956).

*The Killing* was a crime drama with unmistakable Kubrick touches: imaginative *noirish* photography, an elliptical fast-moving story and performances mined for the tiniest telltale tics and mannerisms. By now he had formed his own production company, with producer James B. Harris, and *Paths Of Glory* (1957) continued his fascination with men under stress, though changing the setting from America's lower depths to a scarcely less claustrophobic corner of first world war France. Even a star presence – Kirk Douglas as the infantry commander defending three soldiers court-martialled for cowardice – failed to compromise or commercialise Kubrick's bleakly powerful demonstration of the pragmatism of the military system versus the vulnerability of the individual.

Critical acclaim proved greater than box office popularity, leaving Kubrick – who took no salary for *Paths Of Glory* or *The Killing* – with a still frail hold on his career. Kirk Douglas changed that in 1959 by asking him to direct the monster-budgeted toga epic *Spartacus*. Though the film became a logistical nightmare, combining the difficulty of manoeuvring full-scale armies across a fictive Italy with the challenge of massaging the egos of troublesome stars (Olivier, Laughton, Douglas himself), Kubrick earned Hollywood kudos by carrying it through – and also by making it the least ponderous of the then-fashionable Roman blockbusters.



Enigmatic: Stanley Kubrick

But with typical, perverse individualism Kubrick promptly left Hollywood altogether. Seeking greater independence and creative control, he settled in England, though it would be 10 years before he made a film with an English subject and setting (*A Clockwork Orange*).

His first expatriate movie, *Lolita* (1962), persuaded few that the move had invigorated him. His version of the Nabokov nymphet tale seemed both laboured and oddly cast, with a British Humbert (James Mason) and Quilty (Peter Sellers). Sellers soon made amends by becoming Kubrick's multiple muse for *Dr Strangelove* (1963), playing four roles including the demented Hitler-saluting nuclear physicist of the title. The world saluted the movie almost as zealously. Its imaginary account of an atom-bomb Armageddon comically distilled Cold War phobias to a condition of high-intensity farce. The film originally climaxed in a marathon custard pie fight in the Pentagon. Kubrick removed the scene before release when news of president Kennedy's assassination cast a sombre tone over history and east-west relations.

*2001*, his next film, looks in hindsight like the peak of Kubrick's career. After that productivity slowed – the average gestation period for a Kubrick film increased from one year to six – and the more lovingly and lengthily prepared the movie the more anti-climactic could seem its final arrival.

*A Clockwork Orange* (1971) boasted tonal daring and an imaginative op-art visual style in adapting Anthony Burgess's futuristic fable of delinquent youth culture. *Barry Lyndon* (1975) was a sprawling but handsomely crafted, morally penetrating version of Thackeray's novel.

But *The Shining* (1979) divided critics and audiences between near-cultish admiration – for the Steadicam verve with which Kubrick filmed Stephen King's tale of a mentally imploding hotel caretaker – and those who thought Kubrick was beginning to suffer from the cabin fever he attributed to his characters. His last completed film won few friends. *Full Metal Jacket* (1987) came late into the Vietnam war sub-genre, almost 10 years after *The Deer Hunter* and *Apocalypse Now*, and added no new insights to the psychopathology of war.

Was Kubrick out of touch? Was he becoming a prisoner of his own notorious privacy? Stories of his avoidance of publicity and seeming paranoia became legion. He seldom gave interviews; was known to contact friends only at long distance in the dead night; had a ring of security around his house worthy of an army base; and was so sensitive to the way his films were handled that he monitored showings and famously banned *A Clockwork Orange* in Britain after it became a *cause célèbre* in the violence-and-censorship debate.

**His finest decade remains the 1960s; he followed the brutally funny nuclear comedy 'Dr Strangelove' with '2001'**

His great mid-career films, remain as testimony to a piercingly original vision. And not even Kubrick could have wished for a more provocative ending to his story than the unknown film – on themes (it is rumoured) of sex, suspense and role-exchange – left finished and ready for release at his death. Even the title, *Eyes Wide Shut*, is an invitation to a summation.

Kubrick himself was an artist who kept his eyes wide open even while the gates to his private life and inner personality remained securely shut.

**Nigel Andrews**

# INTERNATIONAL Arts Guide

## AMSTERDAM

**EXHIBITIONS**
**Rijksmuseum**
*Tel: 31-20-673 2121*
● Adriaen de Vries (1566-1626): Imperial Sculptor. Major exhibition celebrating the work of the Dutch sculptor. Around 40 bronzes will be on display, borrowed from public and private collections in Europe and the US; to Mar 14
● Asser: Pioneer of Dutch photography. Nearly 200 photographs, including portraits and still lifes; to Mar 14

## BERLIN

**OPERA**
**Deutsche Oper**
*Tel: 49-30-34384-01*
Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer, conducted by Lawrence Foster; Mar 11, 14

## BOLOGNA

**OPERA**
**Teatro Communale**
*Tel: 39-51-529999*
La Cena delle Beffe: by Giordano. Conducted by Bruno Bartoletti in a revival of Liliana Cavani's staging, first seen in Zurich four years ago. The cast is led by Daniela Dessi and Alberto Cupido; Mar 14

## CHICAGO

**CONCERT**
**Orchestra Hall**
*Tel: 1-312-294-3000*
*www.chicagosymphony.org*
Chicago Symphony Orchestra: conducted by Andrew Davis in works by Mozart and Elgar, with piano soloist Andreas Haefliger; Mar 9

**OPERA**
**Lyric Opera of Chicago**
*Tel: 1-312-332 2244*
*www.lyricopera.org*
Die Meistersinger von Nürnberg: by Wagner. Conducted by Christian Thielemann in a staging by Kurt Horres, with designs by Andreas Reinhardt; Mar 10, 13

## DRESDEN

**OPERA**
**Semper Oper**
*Tel: 49-351-48420*
Ariadne auf Naxos: by R. Strauss. Conducted by Colin Davis in a new staging by Marco Arturo Marelli. Cast includes Susan Anthony and Jon Villars; Mar 14

## EDINBURGH

**CONCERT**
**Queen's Hall**
*Tel: 44-131-668 2019*
Scottish Chamber Orchestra: Andrew Litton conducts the world premiere of Robin Holloway's Double Bass Concerto, performed by Duncan McTier. The programme also includes works by Dvorák and Schumann; Mar 11

## LAUSANNE

**OPERA**
**Opéra de Lausanne, Théâtre Municipal**
*Tel: 41-21-310 1600*
Dido and Aeneas: by Purcell/ Curlew River: by Britten. Double-bill conducted by David Stern, with the Purcell staged by Marcel Bozonnet and the Britten by Yoshi Oida; Mar 12, 14

## LILLE

**EXHIBITION**
**Palais des Beaux Arts**
Goya: un regard libre. Small-scale exhibition which explores the range and peculiarities of the painter's work. The 50 works on display include loans from around the world; to Mar 14

## LONDON

**CONCERTS**
**Royal Festival Hall**
*Tel: 44-171-960 4242*
● London Philharmonic Orchestra: conducted by José Serebrier in a programme including works by Stravinsky, Piazzolla, De Falla and Rodrigo. With guitar soloist Slava Grigoryan and castanets soloist Lucero Tena; Mar 12
● Philharmonia Orchestra: conducted by Christoph von Dohnányi in works by Berg and Schubert, with violin soloist Kyung Wha Chung; Mar 9

## MILAN

**EXHIBITION**
**Palazzo Reale**
*Tel: 39-02-8691 5738*
L'Anima e il Volto: (The Soul and the Face): major exhibition of portraiture, comprising 370 works ranging over 400 years. Artists represented include Titian, Caravaggio, Van Dyck, Picasso and Francis Bacon; to Mar 14

## MUNICH

**CONCERTS**
**Philharmonie Gasteig**
*Tel: 49-89-5481 8181*
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Mozart and Bruckner. With piano soloist Murray Perahia; Mar 10, 13
● Munich Philharmonic Orchestra: conducted by Gianluigi Gelmetti in his own Prasanta Alma, and in Rossini's Petite Messe solennelle; Mar 9, 11, 12

**EXHIBITION**
**Haus der Kunst**
*Tel: 49-89-211270*
Art Across Borders: Classical Modernism from Cézanne to Tinguely and World Art – as seen from Switzerland. Display of the collection made by Swiss recluse Josef Müller (1887-1977), which combined European modernism with classical antiquities and pre-Colombian art. Includes works by Cézanne, Kandinsky and Miró; to May 30

**OPERA**
**Bayerische Staatsoper**
*Tel: 49-89-2185 1920*
*www.staatstheater.bayern.de*
Katya Kabanova: by Janáček. Conducted by Paul Daniel in a staging by David Pountney, with sets by Stefanos Lazaridis and costumes by Marie Jeanne Lecca; Mar 12, 14

## NEW YORK

**CONCERT**
**Avery Fisher Hall, Lincoln Center**
*Tel: 1-212-875 5030*
*www.lincolncenter.org*
New York Philharmonic: conducted by Gisele Ben-Dor in works by Beethoven and Mahler, with soprano Amanda Roocroft; Mar 9

**OPERA**
**New York City Opera, New York State Theater**
*Tel: 1-212-870 5570*
*www.nycopera.com*
Lizzie Borden: by Jack Beeson. New production conducted by George Manahan in a staging by Rhoda Levine, with Phyllis Pancella in the title role; Mar 10, 13

## PARIS

**EXHIBITION**
**Musée d'Orsay**
Tel: 33-1-4049 4814
*www.Musee-Orsay.fr*
Edward Burne-Jones: major retrospective of the British pre-Raphaelite painter, which forms the mainstay of the museum's 'saison anglais'; to Jun 6

**OPERA**
**Opéra National de Paris, Opéra Bastille**
*Tel: 33-1-4473 1300*
*www.opera-de-paris.fr*
Macbeth: by Verdi. Conducted by Gary Bertini in a staging by Phyllida Lloyd, with designs by Anthony Ward. Cast includes Jean-Philippe Lafont and Maria Guleghina; Mar 9

## PORTLAND

**JAZZ**
**Schnitzer Concert Hall**
*Tel: 1-503-248 4335*
Lincoln Center Jazz Orchestra: America in Rhythm and Tune. First date of the Duke Ellington centennial tour, led by Wynton Marsalis; Mar 10

## STOCKHOLM

**EXHIBITION**
**Moderna Museet**
*Tel: 46-8-5195 5200*
*www.modernamuseet.se*
Aleksandr Rodchenko (1891-1956): major retrospective of the Russian Constructivist, who was one of the leaders of the post-revolutionary avant-garde; to May 24

## TOKYO

**CONCERT**
**Suntory Hall**
*Tel: 81-3-3584 9999*
Mischa Maisky: recital by the cellist of works by Beethoven, accompanied by Daria Hovora; Mar 9

## WASHINGTON

**OPERA**
**Washington Opera, Kennedy Center**
*Tel: 1-202-295 2400*
*www.dc-opera.org*
Sly: by Wolf-Ferrari. Conducted by Heinz Fricke in a new staging by Marta Domingo. Jose Carreras and Ian DeNolfo sing the title role; Mar 10, 13, 15

## TV AND RADIO

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Monday to Friday, GMT:

**06.30:** *Moneyline with Lou Dobbs*
**13.30:** *Business Asia*
**19.30:** *World Business Today*
**22.00:** *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

# Rear Windows

Microsoft and Intel have been at the wheel of the engine driving the computer revolution, but Bill Gates retains the ability to run competitors off the road

The tentative legal settlement between the US Federal Trade Commission and Intel, the chipmaker, deprives Washington of a unique spring double. If hearings on the FTC's case had opened, as expected, this morning, the companies that have gained most from the personal computer revolution – Intel and Microsoft – would have been on trial simultaneously.

Connoisseurs of the internal culture of two of America's most aggressive companies will feel bitterly disappointed. They are deprived of the opportunity to explore a host of fascinating comparisons.

Is Andy Grove, Intel's boss and author of a book called *Only the paranoid survive*, more or less edgily insecure than Microsoft's Bill Gates, who told his staff in 1995 that its competitors aimed to "commoditise" Windows? Are Intel employees less aggressive than Microsoft ones, or just better at e-mail self-censorship?

These delights have now slipped away. Intel has reached an agreement with the FTC on access it gives to advance information about its product developments. If the agreement is ratified by the full commission, Intel will be off the hook – although the FTC is continuing to examine a number of other Intel issues.

For Microsoft, the outlook is less happy: it faces the US Justice Department, apparently a more demanding opponent, in a case that is framed rather more broadly. The hearings, temporarily in recess, have not gone well for Microsoft. On the face of it, the chipmaker is well ahead.

But on the broader business canvas, Microsoft is clearly in the lead. Whereas Microsoft has the luxury of reacting primarily to potential threats – from Netscape, from the free operating system Linux, from the Palm range of hand-held computers – Intel has direct competition that has recorded real victories.

In the big and growing US market for PCs that sell for less than $1,000 (£620), Intel chips are contained in less than half the PCs sold. Intel's ability to manage a seamless transition from one family of chips to the next has been disrupted by its rivals pushing it to shorten product lives and cut prices faster than it intended. Its response is to promise to compete (guess what?) "aggressively" in the market for cheap PCs, which for a long time it ignored.

Do not shed tears for Intel. It remains firmly in control of the market for high-powered processors. It has unrivalled brand recognition and extremely strong assets, both tangible (state-of-the-art chip plants) and intangible (intellectual property and depth of engineering skills).

But Microsoft's position is undoubtedly stronger. The software company has no real rival in the market for personal computer operating systems. It has the leading position in office applications. And it continues to make inroads upmarket (into operating systems for computer networks), downmarket (into hand-held computers) and sideways (into online businesses). Indeed – according to court testimony from one unhappy Intel executive – Microsoft has been perfectly capable of threatening the chipmaker when their interests have collided.

Why is Microsoft's position so much less vulnerable to competition, for the moment at least? After all, both companies are no more than component suppliers to the computer industry. Each supplies a vital but no longer particularly glamorous ingredient, based around a core technology that dates back to the early 1980s.

The differences are small but crucial. Chip technology is more vulnerable to duplication than the "look and feel" of a software interface. The US courts have sided with chipmakers able to prove that though they are using identical technology to one of their rivals they have developed it independently. And the traditional practice of cross-licensing technologies has given some of Intel's rivals legally protected access to Intel's core patents.

Microsoft does not suffer the same disadvantages. And it has been more successful in the tricky balancing act of changing its products frequently enough to disrupt its rivals' ability to emulate them, yet not so drastically that customers lose patience.

A key element here has been Microsoft's ability to sweeten the pill of changed operating system with the immediate benefits of improved application programs.

Intel, by contrast, has had to rely on other companies to update their software to take full advantage of its innovations – a much less predictable affair. Look, for example at Intel's MMX enhancements to its chips, which made little impact because of a lukewarm reaction by software houses.

Above all, Microsoft has a tighter hold on the ultimate customer. Although Intel has done a good job of making consumers aware of the brand of their microprocessor with its "Intel Inside" campaign, this is a relatively weak hold. It is easily offset by the implicit guarantee offered by the computer maker ("This PC may not have Intel Inside, but we promise it works just as well").

Above all, it is undermined by the fact that when you turn on the PC, regardless of the processor, the same familiar face appears on the screen: Microsoft's Windows. It is the universality of Windows on the customer's screen that is the source of Intel's underlying vulnerability. Some paranoias are more justified than others.

peter.martin@ft.com



# LETTERS TO THE EDITOR

## Fatalist 'hands off' policy will not help Africa

*From Mr Steve Dorst.*

Sir, As an Africanist my interest was aroused by Marina Ottaway's Personal View "Keep out of Africa" (February 25), which explicitly indicts intervention as pernicious, overlooking the pro-active and incremental successes that objective conflict management has achieved on the continent.

Ms Ottaway states that Africans "are no longer playing by the rules they established for themselves when they formed the Organization of African Unity in 1963 ... non-interference in each other's internal affairs". The truth is, they have never played by the rules! Despite the increasing incidence of cross-border interference since the end of the cold war, these conflicts are no new phenomenon and have deep roots: Angola-Zaire, Nigeria-Cameroon, Mozambique-South Africa-Rhodesia, Rwanda-Burundi and so on. She also maintains that "Africans are not fighting over boundaries", yet from Southern Sudan to Shaba, many rebels harbour secessionist ambitions if only for the economic autonomy it appropriates.

Her most valid contention that "the problem is not boundaries but state failure" borrows heavily from the prime academic focus of I. William Zartman, director of African Studies at Johns Hopkins SAIS where Ms Ottaway teaches. Even her presentation of the "choices open to the international community" are simply not accurate, but a misleading exercise in intellectual reification designed to define the poles of an artificial continuum, attempting to lead readers to her seemingly innocuous conclusion: "to sit on the sidelines".

Ms Ottaway rules out intervention because of its empirical failures, yet fails to note its successes. Her prescription that "interventions should be limited to the most extreme situations such as Rwanda in 1994" is dangerous because it fails to acknowledge that conflict management actually preempts some conflicts and limits some bloodshed. How can she discount the benefits of negotiations by groups like Sant'Edigio that produced the peace in Mozambique (which she fails to mention), or the intangible benefits of Kofi Annan, the first sub-Saharan secretary-general of the United Nations, who on December 14 said that conflicts would only intensify unless member states "redouble their efforts to find peaceful solutions"? Would Ms Ottaway have recommended an embargo on external negotiations with Ethiopia and Eritrea, which have recently ended the war in the Horn of Africa?

Clearer goals and more transparency will further improve intervention and negotiations in Africa, but a fatalist "hands off" policy will only exacerbate a complicated situation. Far from a mandate to quit, the colonial powers have a moral obligation to co-operate because of their prior involvement, while refining the nature and scope of intervention with transparency, consensus and objectivity.

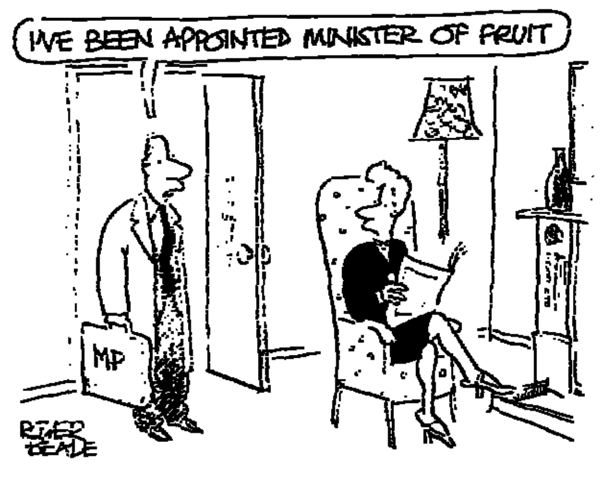
**Steve Dorst,**
**The World Bank,**
**1818 H St NW,**
**Washington DC 20433,**
**US**

## US known as nation that believes in law of the jungle

*From Prof Jagdish Bhagwati.*

Sir, In their attempt at being even-handed between the EU and the US ("The bad blood behind bananas", March 5), your editors let off the US too lightly and chastise the EU too heavily.

True, the EU has "prevaricated for 17 months, using every conceivable legal device in the rich lexicon of international trade legislation" to put off the day when the WTO ruling against its banana regime would have to be implemented. But does a legitimate utilisation of dilatory procedures justify the deliberate use of unilateral actions by the US? Indeed, the use by the US of such unilateral threats and actions has earned it opprobrium over the years as a nation that believes in the law of the jungle, not the rule of law.




Nor can economists forget that, while the lawyers and the business lobbies prefer tight deadlines for both decisions and implementation, the economic effect can be disastrous in imposing the supreme folly of "shock therapy" on countries by legal means.

I must also deplore the inability of the leadership at the World Trade Organisation, International Monetary Fund and World Bank to come up with a compensation and adjustment programme that would, at a small fraction of their resources, adequately help the small banana exporters at risk from the WTO Panel, Appellate Court and Arbitration decisions dismantling the EU regime. Nothing in the doctrine of free trade requires that we ride roughshod, at breakneck speed and with reckless regard, over the economies of the small and poor nations.

It is time to recognise that the WTO dispute settlement mechanism needs to be supplemented by co-ordinated efforts of the Bretton Woods institutions to ease the costs of implementing binding trade-related decisions when developing countries with substantial implementation costs are involved.

**Jagdish Bhagwati,**
**Arthur Lehman professor of economics,**
**Colombia University,**
**New York,**
**NY 10027**
**US**

## Trade should be based on choice, not corporate force

*From Mr Ben Savill.*

Sir, The trade dispute between the EU and America over bananas proves that *free trade is not actually* "free", but comes at a heavy price to consumers and small producers. What we are witnessing is brutal corporate power pushing through its own agenda, despite the cost to everyone else. The US is penalising *Europe over banana imports* because it does not suit its three leading banana producers, while threatening us over genetically modified *food, which European consumers* do not want as the health and environmental risks are unknown.

In May, "free trade" will force genetically engineered bovine growth hormone into Europe, despite the fact that it increases mastitis in cows *and has been linked to cancer.* By next year, the US soya crop will be 100 per cent genetically modified, giving European consumers *no choice but to eat GM* products in processed foods.

Let's not slip up on bananas, like we did with BSE. The time is right for a radical rethink on international trade to promote local organic agricultural production for local consumption *that is both safe and* healthy, and empowers both consumers and producers. Any remaining international trade should be based on *sound ethical and* environmental standards and consumer choice, not crude corporate force.

**Ben Savill,**
**International Society for Ecology & Culture,**
**Apple Barn, Week,**
**Dartington, Devon, UK**

## Milken annual conference the antithesis of self-promotion

*From Mr Donald H. Straszheim.*

Sir, Christopher Parkes crossed the line beyond fair comment with his article about the Milken Institute, its new economic journal and our chairman ("Publish and be redeemed", February 23).

Contrary to Mr Parkes' *sarcastic remarks, the* Milken Institute's annual global conference in Los Angeles on March 10-12 will be the antithesis of "self-promotion". It will provide a comprehensive analysis of world economic issues including the newly integrated euro-zone, the still-changing situation throughout Asia and specific developments in Russia, China, Japan, Brazil, Mexico and *the US. Four Nobel laureates* and dozens of distinguished public policy leaders will address important matters that are highly relevant to *FT readers.*

For eight years the Milken Institute staff of economists and other scholars have pursued a serious and constructive mission designed to advance social progress worldwide through studies of capital access and job formation. To dismiss their dedicated – and *I believe* successful – work with a calculated smear does the FT no credit. Let's hope Mr Parkes' absurdly cynical outburst was only a temporary lapse in the standards of professionalism that I have always respected in the FT.

**Donald H. Straszheim,**
**president,**
**Milken Institute,**
**1250 Fourth Street,**
**Santa Monica, CA 90401, US**

## Leaders must be assertive to settle disputes

*From James Moorhouse MEP.*

Sir, The intervention of Tony Blair, the UK prime minister, with President Bill Clinton in the EU-US banana trade dispute ("Trade war escalates as EU challenges US sanctions move", March 5) raises the question as to why political leaders were not involved much earlier.

The banana dispute has shown that even a relatively arcane trading issue can become highly politicised, and that when this happens World Trade Organisation rules on their own may be insufficient to ensure effective dispute settlement.

If we are to avoid a repeat of the banana debacle when more sensitive issues, such as hormone-treated beef and genetically modified organisms, come before the WTO, it is clear that political leaders will have to be much more assertive in resolving disputes within WTO rules as well as in selling the benefits of free trade to their domestic constituencies.

**James Moorhouse,**
**1 Dean Farrar Street,**
**London SW1H 0DY,**
**UK**

## British Energy committed to keeping its reactors safe

*From Mr Peter Hollins.*

Sir, I enjoyed your article "Time for a new nuclear order" (March 2), or rather I did until I reached the final paragraph. To suggest, as the article did, that because some nuclear power stations may be old they are "inherently less safe" than more modern reactors is untrue.

*Each year British Energy* spends many, many millions of pounds on the safety of its plant. Constant upgrades, comparison with other *nuclear plant worldwide and* technical inspections by our peers in the industry means that the safety systems we operate are comparable to *the best found anywhere in* the world, regardless of the age of the plant.

We set ourselves the toughest safety targets and are scrutinised under one of the toughest regulatory regimes in the world. Before the life of any station is extended it is subjected to a no-holds-barred investigation by our regulators in the nuclear installations inspectorate. If there is the slight*est doubt about the ability of* the plant to run beyond its planned lifetime, the regulator would simply decline our request for continuing operation. And we would not have it any other way.

**Peter Hollins,**
**chief executive,**
**British Energy,**
**10 Lochside Place,**
**Edinburgh EH12 9DF, UK**

## Eurosceptics' ridiculous claim over economic policy disproved

*From Dr Eric Woehrling.*

Sir, Now that the European Central Bank has ignored the German government's calls for an interest rate cut in favour of the principle of monetary stability, thereby demonstrating that it is answerable to this principle alone, not to any particular European government, perhaps the Eurosceptics will abandon their ridiculous claim that adopting the Euro involves the transfer of economic policy "to Germany".

**Eric Woehrling,**
**Perth Street,**
**Edinburgh,**
**UK**

## UK concerned with the wrong contribution

*From Mr Nick Barnes.*

Sir, Antony Mayer (Letters, May 5), implies that criticism of the European Union is justified by the *fact that the UK is a significant* net contributor to the EU, while its political influence is "marginal".

The UK's influence in the *EU is undoubtedly less than* it could or should be. But that is precisely because it has concentrated too often on its financial contribution, too rarely on what it can offer to the political debate.

There is no neat equation between net contribution and political influence. French influence in Europe is not based on its financial contribution, not on "duplicity" or "Gallic charm". It has simply understood when to compromise and when to fight its corner. Britain has always claimed the right to defend its national interests in Europe, *and has often justified* an obstructive EU strategy on these grounds. But Mr Mayer himself claims that the UK is politically *marginalised. So the strategy* has surely failed.

**Nick Barnes,**
**9 rue du Bailli,**
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**Number One Southwark Bridge, London SE1 9HL**

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday March 9 1999

# European bank aid

A single market needs a level playing field. This should not be a matter for controversy. Yet the European Commission's plan to introduce a set of rigorous rules on government subsidies through state guarantees is causing an unholy row – largely because it will impinge on Germany's public banking sector. Although member states may legitimately argue over the timetable for reform, that the principle is right is beyond doubt.

Karel Van Miert, the European competition commissioner, intends to introduce strict rules governing state guarantees that allow enterprises to borrow at reduced, and effectively subsidised, rates of interest. Under the proposal, member states would be given a period of several months to release in full information relating to state guarantees.

This grace period would minimise any flutters caused in financial markets. Thereafter, where support is ruled anti-competitive, governments will have to withdraw their guarantee.

This is a welcome initiative. State guarantees are simply another form of state aid that distorts competition. Strict rules, and far greater transparency are needed in order for the market to function efficiency.

Reducing confusion and distortion in this way should be supported by EU countries. However, Germany and Austria have kicked up a fuss because the framework would encompass their cherished state banks.

German politicians are leaning on the Commission to steer clear of German state banks. Helmut Kohl, the former German chancellor, tried – and failed – to win an exemption to protect the German regional landesbanks from all future competition rules.

Mr Van Miert must not be distracted by pressure of this sort. Banks that are subsidised by such guarantees have an unfair advantage in competition in European capital markets. Because of their guarantee status, the landesbanks obtain triple-A credit ratings, entirely unwarranted by their weak financial structures. This allows them to borrow more cheaply, and to lend at lower rates.

Moreover, because of this distortion, Germany's private banks are disadvantaged in the domestic market. It is partly for this reason that the big private banks, unable to increase their share of the retail market at home, have turned to risky expansion abroad.

Reducing state subsidies in the banking sector may be politically difficult for German politicians. But reducing any subsidy is politically difficult for any politician. Fair competition and efficient markets remain the necessary goal, even in European banking.

# Fun roaming

The men and women in anoraks and muddy boots may claim a victory. Every Englishman is soon to be given the right to walk where he pleases over the open spaces of this sceptred isle.

There are exceptions of course: developed and agricultural land; sundry beauty spots commandeered by the military; some nature reserves or places of national heritage. Even so, the government said yesterday that some 4m acres of bogs and moor, heath and mountain would be officially opened for wanderlust.

For many, this new freedom will be of more theological than practical importance. As serious walkers know, even in England, the open spaces can be big and empty. Most walkers stick sensibly to well-trodden paths such as the Pennine Way or that glorious track skirting the high cliffs of Devon and Cornwall.

Those who set off with maps and compass to cross the trackless heaths are seldom challenged, unless, like some fanatical sects of ramblers, they are looking for confrontation. Hikers are most unlikely to be prosecuted for trespass unless they have done some damage. Even under the new law, the landowner will have no more obligations to them than if they were trespassers – apart from allowing them to pass.

Although good sense and tolerance usually prevails, there are some landowners who try to impose unreasonable restrictions – just as there are some walkers who disturb flocks, leave litter or light dangerous fires.

The government's proposals will not end all bad behaviour on either side. But the new bill should bring welcome clarity to the rights of careful walkers, and will lay helpful stress on the obligations of hikers.

The government has been clever also to appoint Ewen Cameron, a prominent landowner, to head the new countryside agency. This move may reassure landowners that the proposed law is not designed to trample on their rights; and consensus rather than confrontation is surely the key to its success.

For many walkers, the bigger issue is the barring of traditional rights of way by farmers. In general, these rights should be preserved. Sensible compromises with farming interests are needed; and the government must not give rambler vigilantes too heavy a cudgel. The government is to consult further on this question, emphasising the need for progress by persuasion.

Landowners should not treat this as an invitation to obstruct. Town dwellers must be allowed to exercise ancient rights to visit the farmland for which they have paid such huge subsidies. If persuasion does not work, the law will have to be strengthened.

# Central Europe

Central Europe is not Russia. That message is dawning on the bond market.

In the immediate panic of last summer, the economies of central and east Europe were tarred with the same brush. Investors, sent reeling by the crisis in Russia, pulled back from emerging markets in general.

For the central Europeans at least, it appears that normal service is finally being resumed. In a welcome return to common sense, investors are regaining confidence. They are beginning to distinguish once more between the credit risks posed by the various countries of east Europe and the former Soviet Union.

While the latter are understandably still out of bounds for the international bond market, a growing line of central European sovereign borrowers, led by Hungary, Croatia and Slovenia, have succeeded in tapping the capital markets in recent weeks. Lithuania and Slovakia are waiting on the sidelines.

Their progress in the market's eyes from command to market economies is striking. Not only has market access been restored, but Slovenia and Hungary, in particular, have managed to borrow on flattering terms.

In the latest case of Slovenia, investors proved willing last week to lend for a longer period – 10 years – than the country has ever achieved before and at a spread – only 86 basis points over the equivalent German bunds – that sovereign borrowers in other emerging market regions such as Latin America and Asia can currently only dream of.

A riskier country, such as Croatia, has borrowing costs significantly higher than for its immediate neighbours, but it proved last month that access to capital is available. At a price.

Some of this year's other would-be sovereign borrowers, such as Bulgaria, will face still higher costs but the current expectation is that they will be able to borrow.

Lending to the central Europeans is seen as the next convergence play, as investors in euro-denominated securities look for more attractive yields than those available within the euro-zone.

The re-opening of the market is welcome, but some caution is still justified. The fine spreads won by Slovenia and Hungary in recent weeks would appear to suggest that the bond market has factored in that they will join the European Union, and possibly Emu as well, faster than had previously been thought possible.

The benefits of eventual EU membership for the central Europeans will be great as their economies grow to catch up gradually with the rest of the union.

But even under the optimistic scenario that the EU grows at 2.5 per cent a year and Poland grows at 5 per cent, it would still take Poland 35 years to reach 75 per cent of average EU per capita GDP. It will be a long haul.

# Steering an uncertain course

## Economic setbacks have weakened Lafontaine's impregnable hold over Germany's red-green coalition government. But the finance minister is not a spent force yet, writes **Ralph Atkins**

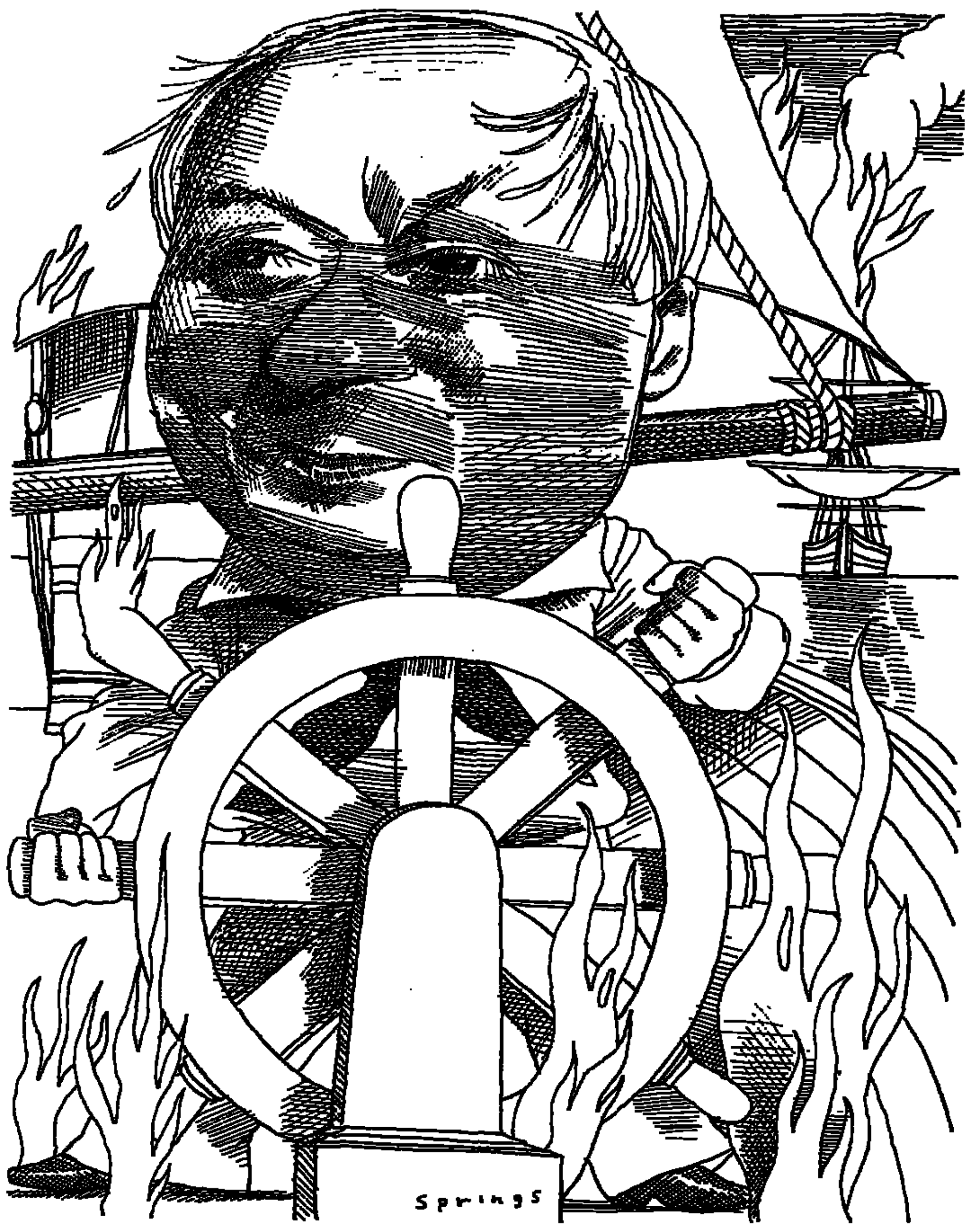
"It's already a big problem, for all of us… It is not easy, I want to make that clear." The frank admission by Oskar Lafontaine, Germany's noisy finance minister, during a recent parliamentary debate referred to escalating difficulties in controlling public spending. He might have said the same thing about any of the host of setbacks that have troubled the new Social Democrat-led government of Europe's largest economy.

Little is going right for Mr Lafontaine. Economic growth has suddenly gone into reverse: gross domestic product fell 0.4 per cent in the last three months of 1998. His row with the European Central Bank on interest rate policy has backfired: the ECB held rates steady last week. Amid public sniping between Mr Lafontaine and ECB, the euro has been sliding for weeks.

Relations between industry and the Bonn government have not been so bad since, perhaps, the 1950s. The business establishment is incensed by tax reforms that will close loopholes and dramatically reduce the scope for avoidance, without any obvious sweetener, such as a significant cut in corporation tax. As a result, big German companies are threatening to transfer operations abroad.

Franz Schoser, director of the German chambers of industry and commerce, last week warned Mr Lafontaine: "Your initial economic policy decisions are hitting companies tangibly."

So how bad is all this for the German government – and especially for its two most powerful members, Mr Lafontaine and Gerhard Schröder, the chancellor? The answer is: not too bad – for Mr Schröder, at any rate.




The balance of power within the coalition has clearly shifted. Germany's economic difficulties have weakened Mr Lafontaine. At the same time, a showdown between Mr Schröder and his Green party allies over nuclear power has consolidated the Chancellor's grip on the coalition. Once it became clear how fiercely the atomic energy industry would resist plans for a rapid shutdown of the country's 19 nuclear power stations, Mr Schröder fought publicly with the Greens, forcing Jürgen Trittin, the Green environment minister into a wounded retreat. The timetable for the shutdown is still open.

But Mr Schröder's relative strength is far from commanding. The strategy of dividing the Greens is not without risk. The chancellor has sided with Joschka Fischer, the cautious Green foreign minister, urging the environmentalist party to practise "more Fischer, less Trittin". The tactics have infuriated even Mr Fischer.

And the Chancellor is still being buffeted by day-to-day events. Last week, he flew back from a meeting of Europe's Socialist leaders in Milan into another domestic row: a suggestion by Mr Lafontaine that the SPD should work closer with the Party of Democratic Socialism, the successor to East Germany's communists.

Not surprisingly, the SPD's popularity is falling amid all these problems. Opinion polls show its support has dropped to about 38 per cent of voters from 41 per cent in September. As for the Greens, Mr Fischer admits his party has "not yet made the step from election alliance to a political party that can take on core responsibilities".

The "red-green" coalition lost control last month of the state government in Hesse, in central Germany, where the opposition Christian Democratic Union successfully exploited Mr Schröder's unpopular plan to grant dual nationality to many of the 7m foreigners living in Germany.

As as result of the defeat in Hesse, the ruling coalition lost its majority in the Bundesrat, the second parliamentary chamber representing the 16 *Länder*, or federal states. That will constrain the government's ability to push through legislation that requires the upper house's consent.

But the biggest surprise – to Mr Schröder as much as anyone – has been Mr Lafontaine's floundering. He started from a position of strength. The 55-year-old former prime minister of Saarland was largely responsible for September's election victory. He himself ran for chancellor in 1990 but last year gave way to the clearly more popular Mr Schröder, concentrating instead on instilling discipline into a previously quarrelsome SPD.

Following the election, Mr Lafontaine, who is also the SPD chairman, fashioned the coalition agreement with the Greens around his ideological politics, which put social justice above shareholder value. Then, Mr Lafontaine demanded and won an enlarged finance ministry.

But his attempts to combine the party chairmanship and finance ministry have proved onerous. Not content with battling industry over tax reform and the ECB over interest rate policy, he has also bewildered Washington and Paris with proposals for target zones for trading in the world's major currencies.

Many of Mr Lafontaine's ideas are regarded as irresponsible by his critics. And his public performance has been embarrassing at times, with questions on detail left unanswered. Opposition politicians accuse him of undermining Germany's culture of financial stability.

**The chancellor is seen by business as an element of stability compared with Lafontaine**

Theo Waigel, finance minister for the last nine years of the Kohl administration and a former leader of the Bavarian Christian Social Union, says: "Constant calls for further cuts in interest rates fuel the suspicion that the ECB is becoming the scapegoat for the political failure to consolidate the social security system, deregulate the labour market and bring about a real tax reform."

Mr Lafontaine says he wants an economic "policy mix" of measures to boost demand and structural reforms. But few proposals have been forthcoming on how to streamline Germany's generous welfare system, for example, and some observers doubt whether Mr Lafontaine is really committed to structural change.

He promised fiscal discipline, but his revised 1999 budget increased federal spending by 6.8 per cent. To promote a "socially just" tax system, he has promised to "give away" a modest DM20bn (£7bn) to individuals from 2002. When industry protested, he said it had benefited considerably under the previous government.

But it is too soon to write him off. Mr Lafontaine is savvy enough to know when he has lost a battle, and can drop unpopular proposals as quickly as he can take them up. Little has been heard recently, for instance, of his idea for exchange rate target zones.

Mr Lafontaine is determined, energetic and still a powerful figure within the SPD. His apparent embrace last week of stronger links with the Party of Democratic Socialism – albeit only in eastern German state governments – highlighted his political radicalism.

But there is no doubt that he has come under growing pressure in the past few weeks. Mr Lafontaine was furious following leaks from an independent tax commission that proposed capping the top rate of corporation tax at 35 per cent. (At present, businesses can pay tax rates of more than 60 per cent, when local trading taxes and the solidarity levy for east Germany are included.)

In private meetings with MPs, Mr Lafontaine has complained about the government's chaotic style. To some, his remarks sounded like attacks on the chancellor. But Mr Schröder has the upper hand. The chancellor's personal popularity remains strong. A Forsa poll in Die Woche newspaper last week showed 48 per cent would vote for him if the chancellor were directly elected. Wolfgang Schäuble, his Christian Democrat counterpart, had the backing of only 19 per cent of voters.

Mr Schröder, a former member of Volkswagen's supervisory board, has a better relationship with business than his finance minister – even if the kinship has been shaken in recent weeks. His so-called "alliance for jobs" that brings together employers, the state and trades unions, now encompasses several working groups, including one on tax, under the watchful eye of the chancellery.

Industry leaders have pledged to remain in the alliance for the long term; in return, the chancellor has promised future tax reforms will be drawn up in closer consultation with business.

Mr Schröder is a consensus politician by instinct. The "alliance for jobs" is a deliberate attempt to rebuild the solidarity which characterised, in his view, Germany's postwar economic recovery. He claims to represent a new "political middle", and the loss of the state government in Hesse could actually help that process, as the government will have to work closer with opposition parties on issues affecting the 16 Länder. In effect, the chancellor is building an informal "grand coalition" with his political opponents, which he might have anyway preferred if the electoral arithmetic last September had been different.

So, unlike Mr Lafontaine, Mr Schröder still has considerable room to manoeuvre. In an interview with Welt am Sonntag last week, the chancellor insisted the coalition agreement masterminded by Mr Lafontaine was "no bible". "Society is more complicated than a coalition contract," he said.

Mr Schröder promised the tempo of government initiatives would be slowed after the first four months. A cabinet reshuffle seems unlikely: it would be interpreted as a sign of weakness. The chancellor has also moved to minimise competition between ministerial fiefdoms. The cabinet last week agreed that Bonn departments should have their public relations programmes approved by the federal press ministry, which reports directly to the chancellor. Government advertising is also being centralised.

The question is whether Mr Schröder has the grit and guile needed to steer a course through the "new middle" and put his government back on a firmer track. Mr Lafontaine's flailing, and the clear downturn in the economy have increased the pressure on him to act.

As prime minister of the state of Lower Saxony until last autumn, Mr Schröder had to fight to win his party's nomination on a "modernising" ticket. It was unclear then whether he would succeed against the challenge from Mr Lafontaine. Setting his own course now will be at least as hard.

# OBSERVER

## Splashing out in Japan

UK telecoms group Cable & Wireless must be feeling deflated – for more reasons than one. It sponsored the hot air balloon which had to abandon its circumnavigation of the globe.

But as if that's not bad enough, graphic images of the gold and silver balloon sinking into the Pacific Ocean, just 80km off Japanese shores, hit the world's press just as news circulated of C&W's ambitions to take over IDC, one of Japan's leading international carriers.

The sight of the C&W name bobbing up and down in the cold waters of the Pacific would have given a good laugh to NTT, which is also seeking to take control of IDC.

A bid for IDC by C&W would be the first "hostile" takeover Japan has seen in recent history, if not the first ever. But that's if the bid actually gets off the ground. Cynics have started to mutter that C&W's talk about buying IDC is a lot of hot air aimed at ramping up the value of its stake.

Whatever the truth of the matter, C&W must be hoping its deal-making doesn't crash quite so spectacularly as its balloon.

## Kippered

Who says investors in the high-risk emerging markets sector can't afford a sense of humour? Take Peter Scott, chairman of London-based Beta Global Emerging Markets, recently looking back on five thin years "in which experience has recurrently knocked hope into a cocked hat".

Scott, in plaintively asking what emerging markets are for, recalls posing the same question about government securities when he was "a callow stockbrokers' clerk, all kipper ties and platform soles". Came the reply from a colleague: "Gilts, m'boy, are for gentlemen to lose money with dignity."

But he's not easily put off by recent disasters, even though he believes 1999 is going to be "hell" for many emerging countries. He accepts they won't be fashionable among investors for a while and even though he's raised his own holding in Beta GEM, he's not recommending shareholders do the same. He does however intend to stay the course – even if it means "having to roll my own cigars". Hand that man a smoking Cohiba Esplendidos.

## Brewer's troops

It's almost the end of the beginning for Graham Mackay, the softly-spoken chief executive of South African Breweries that was listed yesterday on the London Stock Exchange after a week of conditional trading. The final hurdle is Wednesday's meeting of the boffins who compile the FTSE-100, when SAB hopes to join the elite club of shares every tracker fund has to buy.

For Mackay, 49, the move means he's got to up sticks in South Africa – where the company earns two-thirds of its profit – and relocate to sunny old London. With house prices in Johannesburg not looking too cheerful, he might find it hard to afford an address in Mayfair, where he's temporarily squatting, though a £300,000 relocation allowance should help a bit. A free pint for anyone who comes up with the perfect place?

## Pippa pops over

George Bush Jr's nascent campaign for the White House is beginning to take on a nostalgic air. Not only is he the son of a former president himself but he's now recruited the daughter of a former Nixon and Ford trade representative to teach him all about economics.

Philippa Malmgren, chief currency strategist at Bankers Trust in London, has left to take up a rather high-powered new post as deputy head of global research for Warburg Dillon Read, the investment banking arm of UBS. But her other new job is to advise Bush Jr, who's expected to come clean about his presidential ambitions any day now.

La Malmgren isn't the first in her family to take the White House dollar. Her father was Harald Malmgren, the respected economist who ended up as deputy trade representative in the Nixon and Ford administrations.

But Observer's left scratching its head about one aspect of this new partnership. Nixon, Ford and Bush Sr were not exactly bywords for repeated electoral success on behalf of the Republican party. Having said that, if Bush fails to make it and wants to know why, Malmgren will no doubt be able to explain: "It was the economy, stupid."

## What a beach

Just 297 days to go – and still not decided on the place to be when the time comes to stand astride two centuries and celebrate? Maybe a spot of sea-kayaking by moonlight off Wanganui? How about midnight mass at Machu Picchu? Or possibly a starlit bungee-jump over Bora Bora?

Thomson Travel, the UK travel firm reporting its first-year results yesterday, brings Observer down to earth with a bump. The tour operator says half its capacity for millennium week is already booked. And where are the intrepid Brits, the plucky progeny of a thousand generations of intrepid explorers, heading for on the Big Night? The most popular destination by a long way – Benidorm.

The Financial Times

## 100 years ago

**Uncle Sam's Blather As He Faces New Duties**

"New occasions," to use the words of an America poet, "touch new duties," and Uncle Sam is very much divided in his mind at the present moment over the question of the direction in which duty lies now that he finds himself in the position of a World Power. He now contemplates a whole archipelago of boundless possibilities which is waiting to be turned into dollars. But when oppressive thoughts of a God-sent vision have passed away, and when visions of golden argosies have faded into thin air, the spirit democracy rises before him, and bids him assist his untutored protégés to be free. A hundred wildernesses are to be subdued, unviolated valleys must be filled, unmastered forests must be felled, unriven mountains must be torn asunder and their riches of gold and iron and ore of price must be delivered to the world. Yet some craven-hearted recreants urge, forsooth, that the programme is unconstitutional, and nothing more than an exhibition of blatherskite Imperialism.

FINANCIAL TIMES
TUESDAY MARCH 9 1999



## THE LEX COLUMN

# Intel bails out

So Intel is not going inside the courthouse. The chipmaker's decision to settle with the Federal Trade Commission on the eve of its anti-trust trial seems odd at first sight. Intel stood a much better chance of winning its case than that other de facto monopolist, Microsoft.

While the software giant is fighting broad charges of anti-competitive behaviour levelled by a determined Justice Department, Intel faced a much narrower complaint. The FTC merely alleged Intel was not sharing intellectual property on new computer chips with less-favoured customers, including Compaq Computer. The semiconductor group never disputed the facts, but argued it could do what it liked with its own intellectual property – on the face of it a robust defence.

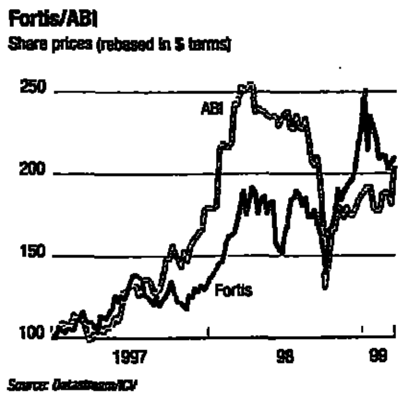
That Intel settled nonetheless has much to do with the negative publicity surrounding Microsoft's trial and the software maker's poor performance on the stand. Though neither side was immediately giving away the details of the deal, Intel surely judged that in return for limited concessions – perhaps making future products accessible to all customers on equal terms – it could save itself much grief and expense.

The regulators, meanwhile, may have been nervous about a case that seemed to be stretching anti-trust law. And they will surely have drawn comfort from the fact that Intel, unlike Microsoft, faces real competition in the marketplace.

### Fortis/ABI

So the hyperactive Fortis strikes again. No sooner does it beef up its banking side with the $13bn acquisition of Belgium's *Générale de Banque* than it makes yet another move in US insurance. The price for American Bankers Insurance Group looks pretty full – 2.4 times book value, 19 times forecast 1999 earnings. But some reassurance can be derived from the fact that AIG, the big US insurer, was prepared to offer $53 a share – $3 more than Fortis is paying – a year ago, only to be outbid by the notoriously acquisitive Cendant.

Industrial logic also counts in Fortis's favour, as its consumer credit-related business overlaps with ABI's. Hence claims that the annual "synergy benefits" will reach $100m through cost-cutting and more nebulous revenue gains. Taxed and discounted – it will apparently take three to five years to get there – these could be worth $400m-$500m, mitigating the $2.8bn cost of the acquisition including debt.




ABI shareholders should be pleased to be getting cash. Unlike investors in Transamerica, Aegon's target, they do not have to decide what to do with highly rated Benelux paper.

Fortis is, not surprisingly, taking advantage of a strong recovery in its share price since last autumn to part-fund the deal with an equity issue. Its high rating is in any case more dependent on the way it manages its much-enlarged Benelux banking empire than on niche acquisitions in US insurance.

### Italian banks

The restructuring of Italian banking is like one of those soap operas that has been running so long that it is easy to lose the plot. But last week's deal between Banca di Roma and ABN-Amro of the Netherlands is a twist that genuinely seems likely to move the story forward. Not only does it look a neat move for the Dutch bank but it could release Banca Commerciale Italiana from the Roman bank's stifling embrace. For the past year, Banca di Roma has been trying to strong-arm BCI into a merger via the sort of back-room machinations beloved of Italian financiers.

Such machinations may, of course, continue. This soap opera, after all, has so many actors – not least Mediobanca, the shadowy Milanese investment bank – that conspiracy theories are easy to concoct.

But the latest developments are also an opportunity for market forces to prevail. BCI not only has an attractive franchise. With a market capitalisation of €11bn, it is the sort of size – neither too big nor too small – that ought to appeal to a large number of suitors. Some, such as San Paolo-IMI and UniCredito, are locals. Others, such as Deutsche Bank, are from abroad.

Launching a bid might be contrary to Italian traditions and anger Mediobanca. But times are changing: witness Olivetti's hostile bid for Telecom Italia. And Mediobanca is not the power it once was. This is the type of situation where luck could favour the brave.

### UK oil exploration

It is over and out for Britain's oil exploration and production sector. Its 21 per cent outperformance in the past fortnight – as crude has edged up towards $12 a barrel – has come too late to avert humiliation. *Following Enterprise Oil's and Lasmo's* ejection from the FTSE 100 in September, the E&P sector is now to lose its separate identity altogether. From April 1 FTSE International's actuaries will throw all oil stocks into a single pot.

This is perfectly sensible. Winnowed by takeovers from 15 stocks to just seven in just six years and savaged by the low oil price, the E&P sector now accounts for just under 0.3 per cent of the market by value. Given that BP Amoco and Shell, which account for nearly 9 per cent of the market, both have E&P arms much larger than the pure upstream players combined, the justification for the separate index has worn thin.

But within an enlarged oil and gas sector, competition for investor attention will sharpen. The larger E&P stocks – Enterprise, Lasmo and British Borneo – may have the tougher time of it. Too small to concern the integrated oil analysts and too large for the small-cap teams, they may be caught in an investment blindspot. One worry is that this will lead to mergers just for scale's sake, of the type Enterprise and Lasmo are contemplating. After all, with a combined value of £2.8bn, they would be within tempting distance of the FTSE100.

# China detains author as it tightens control over media

## Authorities clamp down on possible dissent in anniversary year

By James Kynge in Beijing

*China has detained one of the country's most daring authors as the government moves to tighten control over the media and publishing in a sensitive anniversary year.*

Wang Lixiong, whose most famous book *Yellow Peril* predicted civil war and the collapse of the Communist party, has been held in the north-western region of Xinjiang for about a month while authorities investigate his activities, family members said yesterday.

His detention comes in the middle of a dispute between the US and China over human rights. It threatens to overshadow a planned visit by Zhu Rongji, the Chinese premier, to Washington in April.

Chinese leaders last week rejected sharp criticism of China's human rights record by Madeleine Albright, US secretary of state, as an interference in the country's domestic affairs.

"As far as we know, [Wang] has not been arrested and has not been formally charged with any crime," said one close relative in Beijing. "The investigation seems to be over something to do with getting state secrets but it is rather vague."

Stealing state secrets is a serious charge, and if proven would almost certainly lead to a long prison sentence.

Mr Wang, 45, was in Xinjiang, home to several Moslem minority peoples, collecting material for a new book on the region, parts of which are a centre for separatist unrest.

Mr Wang is unusual among commentators from the majority Han nationality, as he has taken a somewhat sympathetic view of minority desires for greater autonomy.

His second book, *Sky Burial – The Fate of Tibet*, focused on ethnic tensions in the remote Himalayan region.

Over the past few months China has tightened control over possible sources of dissent.

Zhu Rongji, the premier, said last week in a keynote speech to the National People's Congress, or parliament, that Beijing should ensure the rectitude of public opinion and strengthen control over the media.

This week China will mark the 40th anniversary of what it calls the liberation of Tibet – the moment in 1959 when the Dalai Lama, Tibet's spiritual leader, fled into exile with thousands of followers.

Mr Wang may have been regarded as a potential danger to social stability during the Tibetan anniversary, although his book does not advocate independence for the restive region.

In October China will celebrate the 50th anniversary of the People's Republic. Before that, on June 3 and 4, authorities are expected to stifle any attempt to commemorate the 10th anniversary of the massacre of pro-democracy demonstrators in Beijing.

Signs of Beijing's stronger grip over publishing are becoming clearer, even though considerable debate on economic issues is still permitted in the official media.

# Japan banks to cut 21,000 jobs in exchange for $60bn

By Gillian Tett and Naoko Nakamae in Tokyo

Japan's largest banks yesterday pledged to cut 21,000 jobs in exchange for receiving about Y7,450bn ($60bn) of public funds to boost their capital base.

The cuts, representing about 15 per cent of the banks' current staff, will be implemented over the next five years as part of a broader restructuring intended to solve Japan's long running banking problems.

They are likely to be achieved through early retirements, sharp cuts in graduate recruitment, reductions in non-Japanese employees and transfers to subsidiaries rather than through compulsory redundancies, foreign bank analysts said.

Jim McGinnis, analyst at Dresdner Kleinwort Benson, said: "The Japanese banks are not going to be able to restructure their way to profitability."

Still, the scale of the cuts is much greater than anything seen recently in Japan's huge banking sector, and could fuel the growing sense of employee unease in Japan.

It also highlights the political pressure the government and the banks face to show that the planned Y7,450bn injection will resolve the banks' long running bad loan problem and deliver real reform.

The Financial Reconstruction Commission, the government body organising banking reform, yesterday attempted to allay criticism by releasing details of the banks' restructuring plans.

*In exchange for receiving the public funds* at the end of this month, 15 banks will write off Y19,000bn of their bad loans in the 1998 fiscal year. This means they will record about Y3,600bn of net losses.

The banks yesterday also apologised publicly for their problems. Tatsuro Ito, president of Asahi Bank said: "We regret the inappropriate screening system [for loans] in the bubble years."

Government officials said the system for injecting the Y7,450bn could give the commission considerable leverage over weak banks. Though the final details will not be announced until the end of the week, it is expected that about Y5,600bn of the Y7,450bn will be given in the form of preference shares.

The commission will be able to convert the shares in weak banks such as Daiwa, Mitsui Trust, Toyo Trust and Chuo Trust after three months. This could result in its eventually owning about half or more of these banks – in effect nationalising them.

However, the commission will not be able to convert the shares in stronger banks, such as Sumitomo, Sanwa or Asahi, for two or three years. And even if it does so the proportion of the bank owned by the government will be less than a third.

Mitsubishi credit line, Page 19

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### Companies & Finance



### Markets



Baseball legend Joe DiMaggio died yesterday, aged 84. Page 7 Reuters

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### Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
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http://www.ft.com/newspaper/2176.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

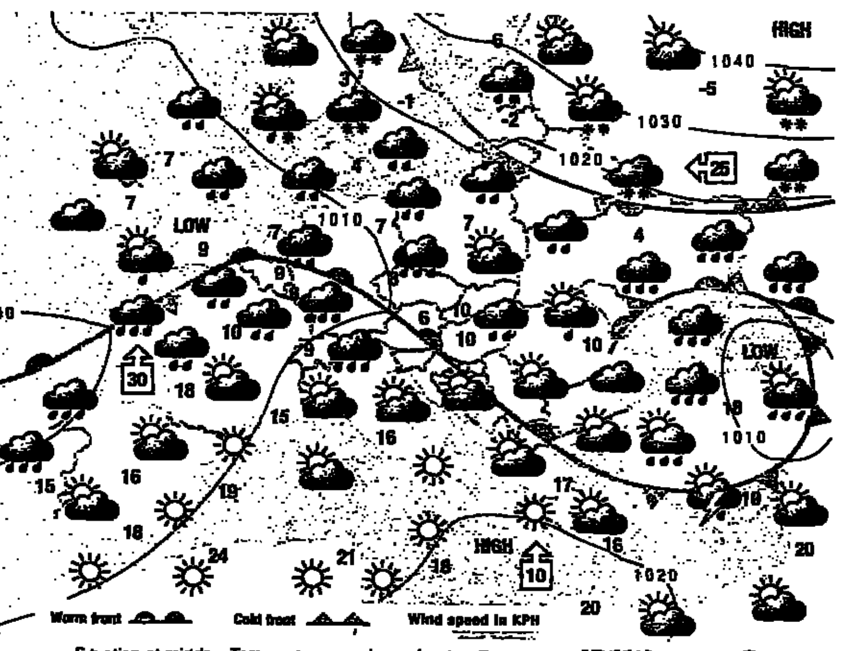
## FT WEATHER GUIDE

### Europe today

Much of western Europe will be wet, with heavy rain moving into western France and the north-west of the Iberian peninsula, across the Low Countries and around the Alps. The Alpine resorts will have snow, or rain at lower levels. Scandinavia will have snow showers but *the south will have rain.* The Baltic states will have snow showers but further south there will be heavy rain, especially around the Black Sea and across Turkey. Most of the Mediterranean will have sunshine, with showers in the east clearing.

### Five-day forecast

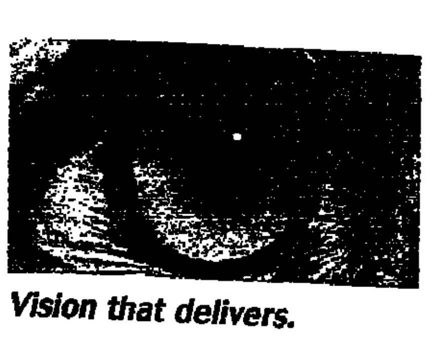
Heavy rain will spread across much of the Iberian peninsula and western Europe but central areas should become dry with some sun. Most of the Mediterranean will be dry with warm sunshine. Showers across south-east Europe will clear but *further* wintry showers are likely in the north-east.




Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

**TODAY'S TEMPERATURES** (Maximum Celsius)

| | | |
|---|---|---|
| Abu Dhabi | Sun | 25 |
| Accra | Fair | 34 |
| Algiers | Sun | 24 |
| Amsterdam | Rain | 7 |
| Athens | Sun | 17 |
| Atlanta | Rain | 3 |
| B. Aires | Fair | 30 |
| B.ham | Fair | 8 |
| Bangkok | Fair | 35 |
| Barcelona | Sun | 18 |
| Beijing | Fair | 11 |
| Belfast | Fair | 7 |
| Belgrade | Sun | 15 |
| Berlin | Rain | 7 |
| Bermuda | Shower | 16 |
| Bogota | Fair | 20 |
| Bombay | Sun | 33 |
| Brussels | Cloudy | 9 |
| Budapest | Shower | 10 |
| C.hagen | Cloudy | 4 |
| Cairo | Sun | 24 |
| Caracas | Fair | 29 |
| Cardiff | Shower | 8 |
| Casablanca | Fair | 20 |
| Chicago | Sleet | 2 |
| Cologne | Shower | 8 |
| Dakar | Fair | 24 |
| Dallas | Sun | 24 |
| Delhi | Sun | 30 |
| Dubai | Sun | 25 |
| Dublin | Fair | 7 |
| Dubrovnik | Sun | 15 |
| Edinburgh | Fair | 7 |
| Faro | Shower | 16 |
| Frankfurt | Shower | 10 |
| Geneva | Rain | 9 |
| Gibraltar | Fair | 18 |
| Glasgow | Fair | 7 |
| Hamburg | Cloudy | 6 |
| Helsinki | Fair | -6 |
| Hong Kong | Shower | 26 |
| Honolulu | Fair | 28 |
| Istanbul | Fair | 9 |
| Jakarta | Cloudy | 32 |
| Jersey | Cloudy | 9 |
| Johannesburg | Sun | 30 |
| Karachi | Sun | 28 |
| Kuwait | Sun | 24 |
| L. Angeles | Fair | 15 |
| Las Palmas | Fair | 22 |
| Lima | Fair | 28 |
| Lisbon | Rain | 15 |
| London | Fair | 9 |
| Lux.bourg | Rain | 6 |
| Lyon | Shower | 13 |
| Madeira | Shower | 19 |
| Madrid | Fair | 16 |
| Majorca | Sun | 19 |
| Malta | Sun | 18 |
| Manchester | Cloudy | 8 |
| Manila | Shower | 32 |
| Melbourne | Sun | 33 |
| Mexico City | Fair | 26 |
| Miami | Sun | 25 |
| Milan | Fair | 12 |
| Montreal | Sun | -2 |
| Moscow | Fair | -5 |
| Munich | Rain | 6 |
| Nairobi | Fair | 30 |
| Naples | Fair | 16 |
| Nassau | Fair | 24 |
| New York | Fair | 4 |
| Nice | Fair | 15 |
| Nicosia | Fair | 19 |
| Oslo | Sleet | 3 |
| Paris | Rain | 10 |
| Perth | Fair | 27 |
| Prague | Shower | 8 |
| Rangoon | Sun | 35 |
| Reykjavik | Snow | 1 |
| Rio | Thunder | 31 |
| Rome | Fair | 18 |
| S. Frsco | Shower | 11 |
| Seoul | Fair | 9 |
| Singapore | Cloudy | 32 |
| Stockholm | Snow | -1 |
| Strasbourg | Rain | 10 |
| Sydney | Shower | 24 |
| Tangier | Fair | 19 |
| Tel Aviv | Fair | 21 |
| Tokyo | Fair | 14 |
| Toronto | Fair | 0 |
| Vancouver | Rain | 7 |
| Venice | Cloudy | 10 |
| Vienna | Cloudy | 6 |
| Warsaw | Shower | 7 |
| Washington | Shower | 8 |
| Wellington | Shower | 20 |
| Winnipeg | Fair | -3 |
| Zurich | Shower | 6 |



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FINANCIAL TIMES

# COMPANIES & MARKETS

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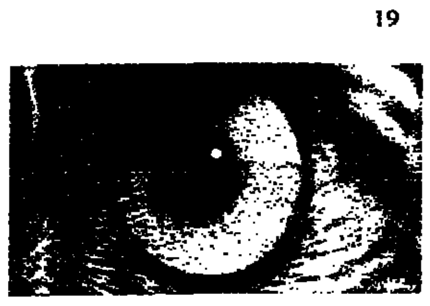


candover

## INSIDE

**Philips' VLSI bid makes shockwaves**
The aggressive tactics of Philips, the Dutch electronics group, in its move to acquire VLSI Technology, a Californian chipmaker, have come as a surprise to industry observers. Hostile bids are rare in Silicon Valley, because talent is highly mobile and an unfriendly merger may simply prompt employees to join another company or form their own start-up. Page 23

**Tietmeyer gives boost to euro**

The euro gained against the dollar after Hans Tietmeyer, president of the Bundesbank, said he did not want to see the euro continue its slide. Analysts had taken the lack of comment from ECB council members as a sign that they were not perturbed by the euro's weakness. Mr Tietmeyer's comments gave it a boost as traders took profits on long dollar positions. Page 29

**Debate grows on engineered crops**
Genetically modified crops have been embraced from Australia to Latin America by farmers keen to protect their crops against insects. Engineered soyabeans could account for most of the crop in the US this year but their acceptance in the US contrasts starkly with the controversy surrounding them elsewhere. Page 30

**ADB plans Singapore dollar bond**
Singapore's ambitions to be a leading bond market for Asian borrowers were boosted when the Asian Development Bank said it planned a Singapore dollar bond issue. Page 28

**Israel looks to Europe for capital**
Peptor, an Israeli biotechnology company, raised $20m (€21.8m) in Europe. Supercom intends to raise $30m on Easdaq. The decision not to go to the US for capital reflects Israel's changing view of Europe. Page 22

**Little cheer for corporate Hong Kong**
The Chinese year of the rabbit has been good to Hong Kong shareholders. Since the lunar new year on February 16, the Hang Seng index has risen 9.2 per cent. But the climbing stock market is at odds with the sickly economy and a corporate earnings season scarred by provisions and modest growth. Page 40

## COMPANIES IN THIS ISSUE



## MARKET STATISTICS



# Telecom Italia to attack Olivetti head-on

**By Vincent Boland**

### Group to enter syndicated loan market in competition with smaller rival

Telecom Italia is poised to go on the offensive against the hostile takeover bid from Olivetti, signalling yesterday that it was preparing to enter the syndicated loan market in competition with its much smaller rival.

Olivetti, which has launched a €53bn ($57.5bn) hostile takeover bid for Telecom Italia largely financed by debt, is already in the syndicated loan market looking for €22.5bn to finance its takeover attempt.

If Telecom Italia enters the market there will be fierce competition for financing and for the loyalty of lending banks. Bankers said there were "strong signs" that Telecom Italia would enter the syndicated loan market in the next few days to seek financing – possibly up to €20bn.

If Telecom Italia did seek to raise finance in the loan market "it would be inconsistent with its obligation not to frustrate a bid", someone close to Olivetti claimed.

"This makes things more complicated," one banker said. He added that because Olivetti had a head start – it began negotiations with potential lenders a few days ago – it would have the advantage.

Olivetti is looking for a three year loan, half of which will be repaid within a year, 80 per cent within 18 months, and the remainder on maturity. It has also agreed to pay a margin of 225 basis points over Libor, the benchmark lending rate.

Bankers said this margin, demanded by potential lenders, was unusually high. Tecnost, the Olivetti vehicle bidding for Telecom Italia, has been rated BBB+ by Standard & Poor's. Companies rated at that level could normally borrow for less than half that margin in the markets, some said.

Whether Telecom Italia could get cheaper financing for its defensive tactics – or cause banks to commit to it – would depend on the terms and structure of any loan it was seeking.

Bankers said Credit Suisse First Boston, J.P. Morgan and IMI, three of the four banks advising Telecom Italia on its defence, were taking preliminary soundings in the market yesterday about raising financing. The banks and Telecom Italia declined to comment.

It is not unusual for companies involved in contested takeovers to seek financing in the same market at the same time.

It is believed that banks that agree to finance Olivetti's loan will not be prevented from participating in any Telecom Italia syndicate.

In any case, bankers said banks would not be asked to commit to one syndicate until the outcome of the hostile takeover battle was clear.

Observers said the ability of either Olivetti or Telecom Italia to raise financing would depend on the strength of their relationships with banks. "Once you get to these levels, strategic relationships are more important than margins and fees," one banker said.

**Telecom Italia receives support for bid defence, Page 22**

US CARMAKER SAYS $6BN PURCHASE WILL DRIVE STRATEGY TO TRIPLE PRODUCTION OF TOP-OF-THE-RANGE MODELS

# Ford plans new luxury cars after Volvo backs deal

**By Tim Burt in Gothenburg**

Ford of the US, the world's second largest carmaker, yesterday announced plans for an ambitious expansion in luxury cars following its SKr50bn ($6bn) acquisition of the cars arm of Volvo, the Swedish automotive group.

Jacques Nasser, Ford chief executive, said the Volvo deal would form part of a strategy to lift output of luxury models from 250,000 last year to 750,000 vehicles in 2000.

"We believe our sales of luxury vehicles could approach 1m in the early part of the 21st century," he said.

Mr Nasser was speaking after Volvo shareholders had voted overwhelmingly in favour of selling the group's car division to Ford.

The Ford chief executive said Volvo's twin car platforms would form the backbone of its push into the luxury segment, although he predicted the most rapid growth would come from Lincoln and Jaguar, its US and UK premium brands. He said Jaguar could lift production from 50,000 to 200,000 cars a year by 2003 and added that the group would be seeking a return on sales far in excess of 5 per cent – the benchmark for the rest of Ford's carmaking activities.

Mr Nasser said Volvo would complement Ford's existing luxury brands, which also include Aston Martin of the UK. "Our aim is to grow the company in luxury segments and this acquisition represents a great opportunity for Volvo to benefit from our economies of scale," he said.

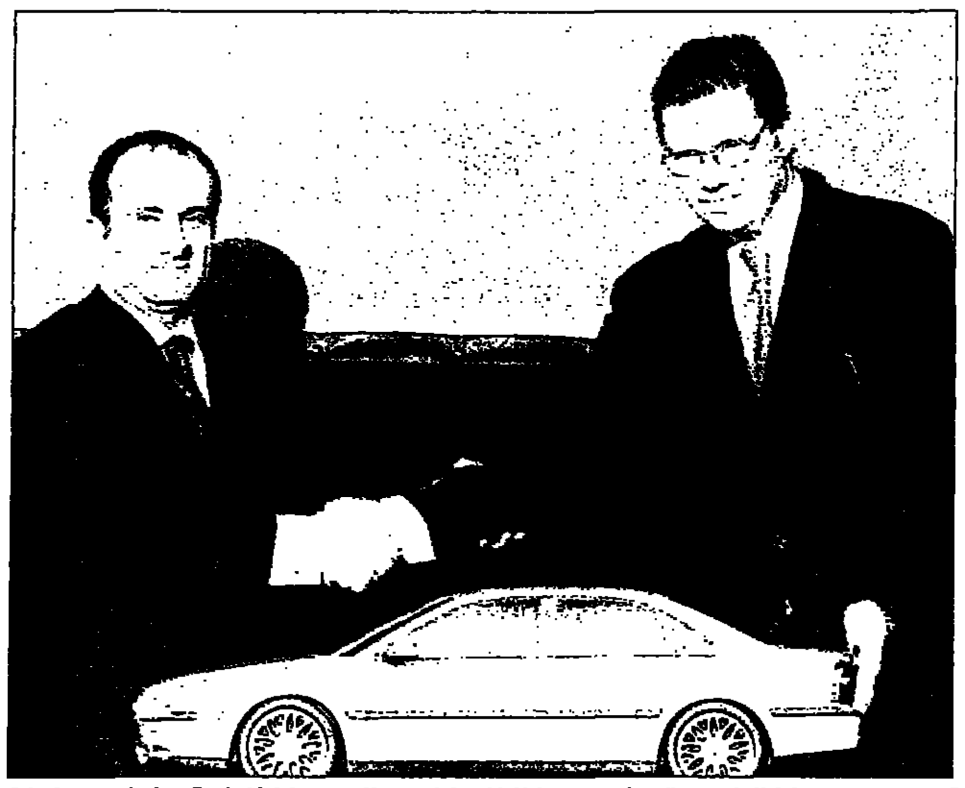
Although some Volvo shareholders expressed reservations, the company described investors' support at an extraordinary general meeting in Gothenburg as a "vote of confidence" in its decision to concentrate on commercial vehicles. Volvo also promised to use SKr10bn of the proceeds for a share buy-back or redemption, but admitted it could not proceed without legislation permitting buy-backs.

The buy-back plan, however, was condemned by Aktiespararna, the Swedish small shareholders association.

"We have not agreed to this deal only to hand the money back to shareholders. That would be a terrible way of destroying capital," said Lars Erik Forsgardh, chairman of the association. The plan was defended by Hakan Frisinger, Volvo chairman, who said a buy-back would enable the group to use shares to fund future acquisitions in commercial vehicles.

He declined to comment, however, on the group's contacts with Scania – the Swedish heavy truck company in which Volvo has a 13 per cent stake – or its overtures towards Navistar, the US truck company.

Mr Frisinger re-affirmed that Volvo would not sell its Scania stake in spite of warnings from Investor, Scania's main shareholder, that it was creating uncertainty.



Gripping conclusion: Ford chief Jacques Nasser, left, with Volvo managing director Leif Johannson AP

# Mitsubishi gets credit line from foreign syndicate

**By Michiyo Nakamoto and Gillian Tett in Tokyo**

Mitsubishi Corporation has set up a $1.24bn credit line with a syndicate of 18 foreign banks, highlighting a trend among Japanese companies to diversify their dollar sources.

Mitsubishi, one of Japan's leading trading companies, described the credit line as an emergency measure to secure funds for its overseas subsidiaries amid the difficulties being faced by Japanese banks.

Western bankers said the credit line for Mitsubishi was one of the largest ever organised by a Japanese company in foreign currency.

Mitsubishi is thought to have organised the loans in part to consolidate its borrowing into a form that is easier to handle than bilateral loans. Many of the western banks participating in the syndication already have bilateral lending agreements with Mitsubishi.

The move also comes at a time when many Japanese companies are keen to show the markets that they have sufficient finance to offset suspicions that they could be hurt by a broader Japanese credit crunch.

Other Japanese trading companies have set up similar credit lines. Nissho Iwai, for example, secured a Y600bn ($4.9bn) line of credit earlier this year.

A credit line's advantage is that "it means they can avoid on-balance sheet debt. Even if they have to pay high margins, (it is worth it) if their credit ratings can be maintained," said Kenichiro Yoshida, analyst at Nikko Salomon Smith Barney in Tokyo.

Trading companies need to lower their debt levels because they have suffered credit downgrades by rating agencies, which in turn raises their cost of funds. The drawback, however, is that these credit lines are believed to come with high margins. "The question is whether the costs are worth the benefits," Mr Yoshida said.

Fears of a credit crunch have arisen as Japanese banks try to reduce their assets and Western banks become nervous about the creditworthiness of some weak Japanese companies.

In recent months the Bank of Japan has attempted to alleviate this problem by temporarily buying the commercial paper of selected industrial companies.

These purchases have now risen to around Y5,200bn, which is estimated to be about half the outstanding CP issuance.

**Fuji Heavy surges, Page 20**

# CIT Group to acquire Newcourt for $9bn

**By John Authers in New York and Scott Morrison in Toronto**

### Deal continues rapid consolidation in commercial finance industry

CIT Group of New Jersey is to acquire Newcourt Credit Group of Toronto, another commercial finance and leasing company, in a stock swap valuing the combined company at approximately $9bn (€8.3bn).

The deal continues a period of swift consolidation in the US commercial finance industry, which has been led by GE Capital, the financial services arm of General Electric, and Associates First Capital. After the deal, the new CIT Group will be second only to GE Capital in commercial finance.

The move reflects the growing concerns about the use of securitisation – where a set of loans is packaged as a security and floated on the capital markets – as a source of funding, following last year's near collapse of the US capital markets. Newcourt is growing faster than CIT, but it had been seeking a buyer following concerns about its extensive use of securitisation.

The company will have combined managed assets of about $50bn, with Albert Gamper, chief executive of CIT, becoming chairman and chief executive of the new company. Steven Hudson, Newcourt chief executive, will be president.

Mr Hudson founded Newcourt in 1984 and it focused primarily on structuring asset-based financings for syndication in the Canadian market. It emerged as North America's second largest non-bank lender when it bought AT&T Capital for $1.6bn last year.

It has close partnerships with a number of high technology companies.

While Newcourt has been taking steps to diversify its sources of funding, one Canadian analyst said the company had relied too heavily on securitisations in the last quarter to meet earnings forecasts.

The company has relied on a combination of securitisations, syndications and on-balance-sheet funding, although in the past several months it has focused on achieving an investment grade debt rating, which would dramatically improve its funding costs. The company's stock was battered late last year after rumours it was facing a liquidity crunch.

Talks this year on a link with Deutsche Bank collapsed.

CIT has also gone through several corporate transformations in recent months. Previously controlled by Dai-Ichi Kangyo Bank of Japan, it made an initial public offering in 1997, which was followed by a secondary offering last year. It has been keen to broaden its shareholder base, and Dai-Ichi Kangyo's stake in the combined entity will be 24 per cent.

CIT was advised by J.P. Morgan, which had previously advised on its initial and secondary offerings. Goldman Sachs and CIBC World Markets advised Newcourt.

CIT shares slipped $1/16 to $30 7/16 in early trading, while Newcourt, which is listed in Toronto and New York, gained $¾ to $26 11/16.

# Siemens aims to exploit American ambition

**By Richard Waters in New York**

Siemens expects to acquire more small US technology companies and create a US salesforce of several hundred people in its effort to establish a presence in the fast-growing data network equipment business, it emerged yesterday.

The German company, as expected, became the latest European telecommunications equipment maker to unveil its strategy for breaking into a business dominated by American companies – though its plans are more cautious than those of its French rival, Alcatel, which last week announced two deals worth a total of more than $2bn.

Yesterday's announcement, which included the purchase of two small US technology companies and an equity investment in a third for a total of about $600m, will also involve a psychologically important shift away from Siemens' home base.

The company had decided to site its worldwide data networking headquarters on the fringes of Boston because of the more advanced technological base and stronger entrepreneurial drive than existed in Europe, said Tony Maher, a Siemens director. "That's the place where the heart is beating right now," he added.

Mr Maher added that Siemens hoped the new US unit, called Unisphere Solutions, would help to transform the culture of the whole group.

"The fact that we are doing this means that we are starting to think differently," he said.

Like other traditional telecoms equipment makers, Siemens was caught out by the speed of the technological revolution that has seen carriers rush to build new, internet-based networks.

Argon Networks and Castle Networks, the Massachusetts-based companies Siemens is to acquire, and Accelerated Networks, a Californian company it has taken an equity stake in, make different components for data networks.

These companies will be combined with Siemens' own telecoms and networking operations in Florida, California and Ottawa to create the new Unisphere Solutions subsidiary.

Siemens is also relying heavily on alliances with 3Com and Newbridge Networks to round out the range of equipment and services it can sell and give it a sales network in the US.

The new business will begin with annual revenues of $200m and 500 employees, making it a minnow compared with the industry leaders such as Cisco Systems, which had revenues of $8.5bn last year.

Other telecoms makers placed bigger up-front bets on the data networking business, including Lucent Technologies, which paid $19.3bn for Ascend, and Nortel, which paid $7bn to acquire Bay Networks.

Siemens said it had earmarked $1bn to back its new US venture, with the remaining $400m or so to support further investments.

**INTERNET** POSITIVE RESULTS CONTRAST WITH LESS UPBEAT PICTURE FROM US OPERATORS

# Yahoo!Japan forecasts 106% advance

By Alexandra Nusbaum in Tokyo

Yahoo!Japan said yesterday it expected to post unconsolidated pre-tax profits before exceptionals of Y270m ($2.2m) – a leap of 106 per cent against Y131m last year. The company adopted a new accounting method which meant registering exceptional gains totalling Y36m.

The healthy results are a startling contrast to the recent flood of profit warnings and loss forecasts that have been issued by Japan's more traditional companies.

They are also more upbeat than the picture seen among US internet companies, most of which have yet to show a profit.

However, the results highlight the expansion of Japan's internet market, as more Japanese consumers buy personal workstations and log on to the web.

IDC Japan, a research group, now forecasts that the market for personal workstations will grow 47 per cent in 1999, after climbing 123 per cent last year.

Analysts expect that this could push the number of internet users up by as much as 43 per cent to 20m this year.

Yahoo!Japan's share price yesterday closed at Y27.5m, 1.79 per cent down on the day.

However, the decline comes after the stock has climbed 230 per cent this year, to reach a record of Y28m last week. Based on yesterday's closing price, Yahoo!Japan trades at a price to estimated pre-tax earnings per share of 539 times.

The company has estimated revenues of Y1.85bn for the year ending March 31 1999, up 46 per cent from last year due to heavy advertising contracts, according to Hiroaki Kinato, of the company's business development unit.

"Internet advertising had been slow in Japan because there had been few online transactions. But the internet was strong in the US during the holiday season, so Japanese companies are now thinking about online commerce. This has boosted advertising revenues in the January to March quarter," said Mahendra Negi, analyst at Merrill Lynch Japan.

Yahoo!Japan also announced that it would take a 26.33 per cent stake in Vector, an online shopping mall for Y165m. The stake in Vector will enable it to benefit from Japan's expected growth in electronic commerce.

Transactions over the internet have been estimated to grow to Y15,400bn in three years, according to the Electronic Commerce Promotion Council of Japan.

# Banking on consolidation

## Singapore's financial sector looks abroad in preparation for foreign competition

By Edward Luce and Sheila McNulty in Singapore

Singapore's leading banking executives believe that the worst of the Asian financial crisis is over.

In spite of the city state's five leading banks having set aside unprecedentedly large provisions against non-performing loans, they remain unusually cash-rich by regional standards.

Under pressure from the Singapore government, which is planning to open the domestic banking sector to foreign competition, the banks are on the look-out for regional acquisitions. "We've been locked out of south-east Asian markets for years," said the chief executive at one of the banks. "Now we have the opportunity to take a stake in these markets at knock-down prices."

The Development Bank of Singapore, the city state's largest bank – which remains majority owned by the government – has already spread its wings with the acquisition of Thai Danu Bank in Thailand and the Bank of South East Asia in the Philippines last year. It is also looking to take a majority stake in the Hong Kong based Kwong-On bank.

The appointment of John Olds, an American formerly at J.P. Morgan, as chief executive of DBS last year, was widely seen as symbolic of the move towards internationalisation of the domestic banking sector. The Overseas Chinese Banking Corporation, which is majority owned by a Singapore family, followed suit when it appointed Alex Au – a Hong Kong Chinese formerly at the Hang Seng Bank – as its chief executive.

The government's emphasis on foreign acquisitions, which is considered the only effective way of obtaining foreign retail licences, has been accompanied by unsubtle hints that the domestic banking sector should consolidate.

With five banks servicing a population of just three million, Singapore's banking sector is viewed as saturated. This is seen as one reason why Singapore's banks achieve such low returns on equity when judged against Hong Kong standards. At a range of between 10 and 15 per cent – and in some cases considerably lower in the aftermath of the recent increases in capital provisions – Singapore's banking sector compares badly with the returns of between 15 and 25 per cent return posted in Hong Kong.

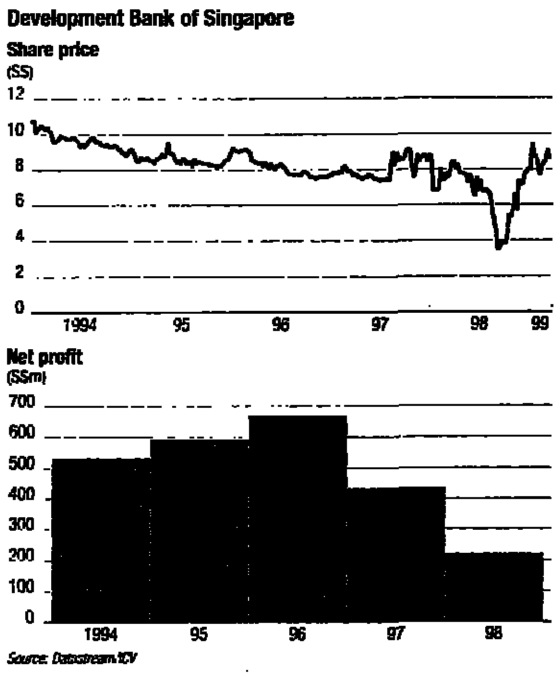
Some also attribute the sector's anaemic performance to the lack of foreign competition. "Singaporean banks are conservative and safe and it is clear the government wants them to become leaner and fitter," said one Singapore analyst. "This is a prelude to the liberalisation of the domestic banking sector."

Although foreign banks such as Standard Chartered and Citibank are permitted a quota of retail branches, they are excluded from participating in the domestic banks' network of automated teller machines.

This, coupled with the fact that only domestic ATMs can provide access to foreign networks such as Cirrus, hinders effective foreign competition. But the government, which is making strenuous efforts to promote Singapore as Asia's leading financial and banking centre, has signalled it will lift these restrictions.

"If the government is serious about turning Singapore into the premier financial hub for Asia, this means ending the preferential status of the domestic banks," said one foreign banking executive.

In the meantime, the government has given the five banks clear marching orders: "We've been told to sharpen our acts up or lose market share to the foreign banks," said one executive.




# DBS earnings disappoint as provisions leap

By Sheila McNulty and Edward Luce

The Development Bank of Singapore yesterday reported a worse-than-expected 49 per cent drop in group net profit to S$222.8m (US$129m) for the year ended December 31.

The earnings reported by the biggest bank in south-east Asia reflected generous provisions, in line with a trend developing among the city-state's financial institutions this reporting season.

DBS's provisions doubled to S$996.4m in 1998. Analysts said this amounted to roughly a ten-fold increase over 1996. John Olds, chief executive, said the bank "tried to bring (non-performing loans) all forward to the extent possible to clean the slate. We have provided fully, immediately."

Its non-performing loans increased from S$1.1bn to S$7.1bn, including those recorded by Thai Danu Bank, which it bought last March. Total NPLs amounted to 8.2 per cent of group total loans in December 1998, compared with 1.9 per cent in December 1997.

The bank said the sharp rise in NPLs was due to several factors.

The Monetary Authority of Singapore, the *de facto* central bank, required loans be considered non-performing once the principal or interest payment is three months or more in arrears, in accordance with international practices stricter than the six-month criterion used before 1998.

DBS also cited continuing weakness in regional economies and the impact that had on Singapore's economy as well as the consolidation of NPLs of acquisitions concluded in 1998.

Analysts noted that OCBC Bank, another key Singapore institution, made provisions of S$938.2m, up 65 per cent over the year-earlier period. And Overseas Union Bank's global provision for possible loan losses increased 76.5 per cent to S$1.06bn in 1998.

Analysts said it was likely the authorities had urged banks to be prudent. But they were suspicious about whether such large provisions were necessary.

They noted that DBS and OCBC had new chief executives who had everything to gain from knocking as much damage as possible into 1998.

That would make the coming year's earnings look especially good under their tutelage.

# Renong plans to refinance debt with bonds

By T J Tan in Kuala Lumpur

Malaysia's Renong and its associate company United Engineers Malaysia (UEM) plan to refinance its debts and repay creditors by raising M$8.41bn (US$2.2bn) in the domestic bond market.

The troubled companies are among Malaysia's biggest infrastructure builders whose problems, if not solved quickly, will damp investor confidence on the Kuala Lumpur stock exchange.

The plan calls for UEM's wholly-owned subsidiary, Projek Lebuhraye Utara Selatan (Plus), a profitable toll-road operator, to issue bonds to banks, insurance companies and pension funds.

Renong and UEM owe their foreign and local creditors M$5.4bn and M$2.96bn respectively.

C. Rajandaram, chairman of the central bank's Corporate Debt Restructuring Committee (CDRC), set up to help troubled companies, expects creditors to accept the plan. The alternative could be the liquidation of Renong and the sale of its assets at depressed prices, he said.

"The CDRC and Renong believe that the proposal is in the best interest of the creditors and shareholders of Renong and UEM," Mr Rajandaram said.

The CDRC and Renong met creditors yesterday and will give them a formal proposal by April. They hope to settle the debts in the third quarter of the year. The creditors appear receptive, according to local bankers.

Plus will issue seven-year, zero coupon bonds maturing in 2006 with a yield to maturity of 10 per cent annually. The company operates the North-South Expressway running the length of peninsular Malaysia.

The CDRC said the bonds should be fully subscribed given liquidity in the market and the lack of good quality paper.

Concessions will be given to investors, such as allowing foreign investors to freely repatriate funds and banks to count their investments as part of their loan portfolio. Banks have been urged to increase lending by 8 per cent this year.

Under Malaysia's capital controls, repatriation of funds from portfolio investments are subject to an exit tax. It is not clear whether government agencies will take up the bonds if they are not fully subscribed.

## NEWS DIGEST

### JAPAN

## Daiwa may spin off its trust bank business

Daiwa, one of Japan's largest banks, yesterday said that it was considering spinning off its trust bank business as part of a broader restructuring plan. The move came as Daiwa announced that it was one of 15 private banks to apply for an injection of public funds to expand its capital base. The bank stressed that no firm decision had yet been taken on its trust business. Daiwa is the only commercial bank which has a trust bank business.

The plans yesterday startled some analysts, who argued that the move could leave Daiwa effectively stripped of its most profitable business line. And some analysts suspect that the drastic move could pave the way towards a broader merger of Daiwa bank with another group, in a pattern seen elsewhere in Japan's banking world in recent months.

Separately the bank said it expected to post a parent pre-tax profit of Y28bn ($229m) for the next fiscal year beginning April 1, compared with the Y263bn loss it expected to post this year. The bank also said it expected to post a parent net profit of Y16bn and a net operating profit of Y65.5bn next fiscal year.

Daiwa insists that the bank remains completely healthy, and is now seeking alternative tactics to achieve its new strategy of becoming a super-regional bank based in the Osaka area. **Gillian Tett, Tokyo**

### AIRLINES

## PAL upbeat on restructuring

Philippine Airlines said some of its leading creditors had given a favourable response to the proposed rehabilitation plan for the ailing national flag carrier.

PAL executives met the US Export-Import Bank and European Credit Agencies in Hong Kong last week to discuss a restructuring of the airlines' $2bn debt burden to enable it to keep flying.

"We are pleased to say that the reception to our presentation was favourable. We fully expect they [creditors] will agree to the final plan," Jaime Bautista, chief operating officer, said in a letter to the airline's staff. He said the final plan would be submitted to the Philippine Securities and Exchange Commission on March 15.

Mr Bautista said the creditors, however, had stipulated various conditions for their approval of the plan, "the most important of which will be a capital infusion of approximately $200m within two to three months".
**Tony Tassell, Manila**

# Showa Shell slides 69% after squeeze on prices

By Alexandra Harney in Tokyo

Showa Shell Sekiyu, the Japanese petrol group affiliated with Royal Dutch/Shell, reported a 68.7 per cent fall in net profits to Y2bn ($16.4m) yesterday, as a sharp decline in petrol prices hit sales volumes and profit margins.

Profits before taxes and exceptional items tumbled 44 per cent to Y7.22bn on sales down 16.6 per cent to Y1,325bn. But some analysts warned that the results had been helped by an extension of the depreciation period on refining facilities from eight to 20 years.

Lalita Gupta, oil analyst at Deutsche Bank, said this change added Y8.5bn to the group's profits. Under the depreciation period used until now, the group would have fallen into a loss on the pre-tax and net level.

"This was to bring the accounting in line with the parent company," Ms Gupta said. "They've done their best to keep afloat."

In the full year, Showa Shell predicted a recovery in net profits to Y5bn, on turnover of Y1,240bn. Earnings before taxes and exceptional items would be Y11bn.

Analysts warned that a fundamental recovery in margins, with petrol prices significantly below levels five years ago, was unlikely.

Profit margins collapsed last year as deregulation and lower petrol prices forced companies to cut retail prices and lower costs through strategic alliances and pooled distribution and refining facilities. The series of mergers in the oil sector – between British Petroleum and Amoco, Exxon and Mobil, and Nippon Oil and Mitsubishi Oil last year to create Japan's largest petrol company with an estimated 25 per cent market share – has increased pressure on unaligned companies such as Showa Shell to cut costs or withdraw from unprofitable markets.

In recent months, Showa Shell has moved closer to a strategic alliance with Japan Energy, a local petrol group, although it denies plans for a merger. Last month, it said a plan to share oil storage facilities would save Y7bn in distribution expenses over four years.

Ms Gupta said the rapid deterioration of earnings was likely to force Royal Dutch/Shell to revise its strategy in Japan. Shares in Showa Shell slid 2.6 per cent, or Y17, to Y631 in expectation of the announcement.

# Fuji Heavy Industries surges on sales hopes

By Alexandra Harney

Shares in Fuji Heavy Industries, the Japanese maker of Subaru vehicles, surged 7 per cent yesterday amid hopes that brisk sales in Japan and the US would lift earnings higher than expected.

The company refused to comment on reports that it would post record net profits of Y34bn ($278m) on sales up 5 per cent to Y1,370bn in the year ending this month.

Analysts said such an improvement was likely, because sales in Japan were lifted by its mini-car models and exports were buoyed by the yen's weakness during the second half of fiscal 1998.

The possibility of an earnings revision comes as the Japanese car and truck industries are mired in their worst slump in decades. A plunge in sales to 1986 levels has forced leading carmakers, including Nissan and Mitsubishi Motors, to consider strategic alliances with foreign manufacturers.

In the year that ended in March 1998, group sales climbed to Y1,304bn and operating income to Y75.5bn, the fourth year of record operating earnings.

Net income slid 22.4 per cent to Y30.7bn.

In November, the company said it expected parent pretax profits of Y40bn on turnover of Y880bn. After-tax profits would be Y18bn on the parent level, according to the forecast.

However, the company's shares have jumped in recent months amid expectations of another record-breaking performance this year. The group's shares have outperformed the TOPIX by 35 per cent since November, closing yesterday at Y822, up Y54 or 7 per cent on the day.

Some analysts have revised their earnings forecasts upward recently because of strong sales of the company's mini-cars, the Samba and Pleo people carriers, as well as its newly launched Legacy estate. Analysts said Fuji Heavy's strategy as a niche manufacturer – it focuses on five models – was one of the main reasons for its success in spite of the overall downturn.

"They have a niche strategy that paid off because they essentially pioneered the hybrid between cars and sport utility vehicles that is gaining popularity in the US," said Christopher Richter, analyst at HSBC Securities in Tokyo.







## CONTRACTS & TENDERS

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**INSURANCE** BELGIAN GROUP SWOOPS FOR CREDIT INSURER AT CENTRE OF BID BATTLE LAST YEAR BETWEEN CENDANT AND AIG

# Fortis offers $2.6bn cash for US insurer

**By Emma Tucker in Brussels and John Authers in New York**

The long-running controversy over the control of American Bankers Insurance, the Miami-based credit insurer, took another turn yesterday as Fortis of Belgium announced it had agreed to buy the company for $2.6bn in cash.

American Bankers was the target of a bidding battle last year in which Cendant, the marketing services group, out-bid American International Group, the largest US insurer.

AIG had been expected to make another bid for the company, and declined to comment yesterday on suggestions that it might make a counter-bid.

Cendant was forced to abandon its own bid in the wake of last year's accounting scandal, which caused its share price to fall by more than 50 per cent. Its final offer had valued American Bankers at about $3.1bn. Fortis already owns a large US credit insurer, which should make it easier to find cost savings than it would be for either of last year's bidders.

"Synergies before tax should progress little by little and reach $100m by 2003, thanks notably to cross sales and the launching of new products," said Maurice Lippens, Fortis chairman.

The new entity would also allow Fortis to diversify its distribution channels via, among others, big distribution companies and car sellers, added Mr Lippens. "What is important in this deal is to link insurance products and credit card usage, whereby Fortis can sell insurance products of several kinds through sales on credit cards."

Mr Lippens said the deal would put Fortis in a strong position to take advantage of an evolving consumer credit market in Europe, which is still much more conservative than in the US.

Over the next five years cost savings will amount to $54m, while Fortis will benefit from economies of scale rising to $64m.

ABI specialises in credit insurance, which is primarily distributed through bank customers' credit card bills. It also offers some traditional general insurance, and had begun to expand from the US into Latin America and the Caribbean.

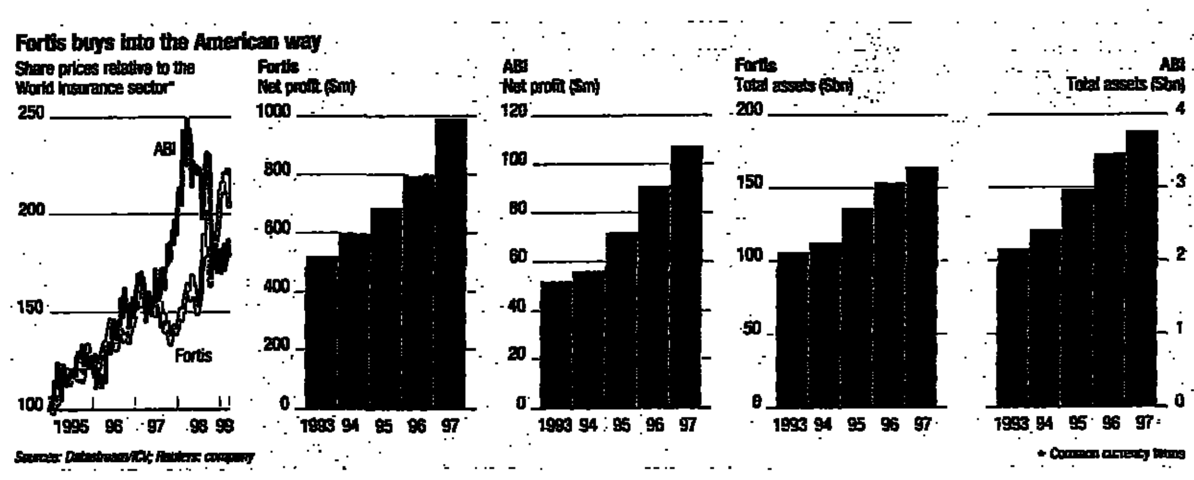
Fortis was created from an amalgamation of Belgian insurer AG, the Dutch insurer Amev, and the Dutch group VSB.

In 1997 it beat ABN Amro, the Dutch bank, in a ferocious multi-billion dollar takeover battle for Belgium's biggest bank, Générale de Banque.

American Bankers' share price gained $5⅝ to $52 in morning trading on Wall Street yesterday, compared with the bid price of $55.

# European insurers look over the Atlantic for expansion

Fragmented US market and shortage of consolidation in general sector offer more opportunities than in own backyard, write **Andrew Bolger and John Authers**




The Europeans have done it again. Fortis, the Dutch and Belgian group, is the second large European insurer to make a significant US acquisition in recent weeks.

Its proposed $2.6bn purchase of American Bankers Insurance Group, a leading US credit insurer, comes less than a month after Aegon, the Dutch-based insurer, became one of the top three US life groups by agreeing a $9.7bn takeover of San Francisco-based Transamerica.

Both deals doubled the size of the buyer's US operations. European insurers ambitious to build global businesses are finding many more opportunities in North America than in their own backyard, which has already seen a swathe of cross-border deals.

European companies are also finding they can benefit from conditions in the US insurance market, which is highly fragmented. Premium growth has failed to beat inflation for more than a decade, and most US analysts attribute this to excessive competition.

There is also a feeling that the market for insurance in the US is mature, with little opportunity to expand the total number of consumers who choose to buy insurance. However, there has been relatively little consolidation in the general insurance sector, with most activity focusing on specific product lines rather than complete mergers.

European insurers are also benefiting from the high market ratings enjoyed by their shares, which have been driven up by the recent wave of acquisitions, the creation of the euro-zone and optimism over the commercial opportunities that will arise from replacing Europe's underfunded state pension schemes.

Lewis Phillips, an analyst with the UK stockbroker Fox-Pitt Kelton, said: "The US is the biggest insurance market in the world and it is consolidating fast. If European insurers are going to protect their position there, they need to grow."

Fortis, which has a market capitalisation of €39bn ($42bn), is one of Europe's 10 largest financial institutions and has been among the most active Dutch financial institutions in the international takeover market. Last year it bought Belgium's Générale de Banque in a $13bn deal and earlier this year took full control of Aslk/Cger, Belgium's fourth largest bank, for BFr58.1bn.

On its home patch, the Benelux group of countries, Fortis is one of the largest financial services providers, offering a broad range of services through various channels. In other parts of Europe, the US and Asia, Fortis focuses on specialist market sectors.

Since 1997, Fortis has invested nearly $1bn in acquisitions in the US. It acquired Acsia and Adult-care in the long-term care market; Insureco, which provides services to financial institutions; Pierce National Life Insurance Company, one of the largest suppliers of "pre-need" funeral services in the US and Canada; and John Alden Financial Corporation, which through its John Alden Life Insurance Company subsidiary provides small-group health and managed care services.

Florida-based American Bankers Insurance (ABI) is active in North America, Latin America, the Caribbean and the UK. Fortis said the combination of ABI with its Atlanta-based American Security Group would result in a leading specialised insurer with an annual gross premium income of $3.6bn. Both companies specialise in providing credit-related insurance products in the US and Canada.

Allen Freedman, chief executive officer of Fortis's US holding company, said: "The combination strengthens our leadership position in a well-defined, attractive speciality market that both companies know well and in which we have separately made major strides."

ABI was the victim of a bidding war last year, when Cendant Corporation, the US consumer and business services group, outbid American International Group, the largest US general insurer, for the company but subsequently pulled out of the deal after its revelation of accounting irregularities led to a sharp fall in Cendant's share price.

Analysts suggested Fortis had at least one advantage over AIG and Cendant, with its significant credit insurance operation in the US. This allows Fortis to cut costs, although it expects also to gain from increased revenues. Both AIG and Cendant planned to make the deal pay by increasing American Bankers' sales.

# Telecom Italia receives support for bid defence

**By Paul Betts in Milan**

Franco Bernabe, Telecom Italia's chief executive, yesterday received further support in his defence against the hostile bid by Olivetti, from Standard Life Investments, the fund management arm of Europe's largest mutual insurer.

Leon de Jerez, head of European equities at Standard Life, said he was sending a letter to Mr Bernabe ahead of tomorrow's board meeting confirming the backing of investors holding about 12 per cent of Telecom Italia's shares in return for Mr Bernabe taking action to enhance value for shareholders.

At tomorrow's meeting the company is expected to finalise its industrial strategy and defences against its smaller predator.

Telecom Italia has not ruled out taking legal action to challenge the decision of Consob, the Italian stock market regulator, to clear the revamped Olivetti bid.

Olivetti, for its part, yesterday denied an Italian newspaper report that allies of Roberto Colaninno, the company's chief executive, had accumulated 10 per cent of Telecom Italia shares. Olivetti is to hold ordinary and extraordinary shareholders meetings early next month to approve a capital increase and other financial operations for its €53bn ($57.5bn) hostile bid.

The shareholders meetings are to be held on April 5, 6 or 7 when approval will be sought for the conversion of Olivetti non-voting privileged and savings shares into ordinary voting shares.

Olivetti must formally launch its hostile €10 a share offer on the markets before the end of April to meet Consob's requirements. Consob cleared Olivetti's revised bid ten days ago after the information technology and telecommunications group confirmed it planned to launch its bid in April.

Olivetti's savings and privileged shares account between them for only 3.3 per cent of the company's total equity capital. With the proposed L5,000bn (€2.58bn, $2.8bn) capital increase to help fund the hostile bid, this percentage would fall further.

Financial analysts said this would not be the case in the event Telecom Italia decided to convert its savings shares into ordinary voting shares. Savings shares account for about 29 per cent of Telecom Italia's total equity and conversion would clearly dilute substantially the company's ordinary shares. In turn, this would constitute a defence against Olivetti's offer directed only at Telecom Italia ordinary shares.

Apart from the new capital increase, Olivetti shareholders will also be called to approve a L8,000bn bond issue. Tecnost, the Olivetti vehicle for the takeover, will also hold a shareholders meeting at the same time to approve a much larger capital increase of up to L22,000bn.

Olivetti's bankers yesterday continued negotiations to put together a €22.5bn syndicated three year loan, the largest ever corporate borrowing in Italy, to complete the financing for the bid.

Olivetti is expected to have to pay a high price for this loan to ensure a syndicate of up to 75 banks, but Milan bankers yesterday argued that this reflected the "acquisition financing" aspect of the loan.

## NEWS DIGEST

### BANKING

## San Paolo-Imi acquires 2.1 per cent stake in BCI

The grand manoeuvres in the Italian banking industry intensified yesterday with the disclosure that the Turin-based San Paolo-Imi banking group had acquired a 2.1 per cent stake in Banca Commerciale Italiana, the Milan bank. Under Italy's stock market rules, any acquisition of a stake of more than 2 per cent must be disclosed to the markets.

BCI is at the centre of what the industry expects to be a new wave of consolidation and alliances in the Italian banking sector, especially following last week's partnership between Banca di Roma and ABN Amro, the Dutch banking group. San Paolo-Imi is understood to be interested in an alliance with BCI, which is also being courted by Uni-Credito, the other big Milan banking group, and Banca Intesa, the north Italian bank created by the merger of Banca Ambroveneto and the Milan Cariplo savings bank.

Financial analysts in Milan said it was significant that the new enlarged Banco Santander Central Hispano Spanish banking group had just increased its stake in San Paolo-Imi from 5.2 per cent to 6 per cent. Media reports have said that Enrico Cuccia, Mediobanca's honorary chairman, had unsuccessfully tried to persuade the Spanish bank to switch its Italian allegiances from San Paolo-Imi to BCI. **Paul Betts, Milan**

### PROPERTY

## IVG Holding bids for Asticus

German property concern IVG Holding yesterday bid SKr3.67bn ($446m) in cash for the Swedish property firm Asticus in an effort to expand its pan-European portfolio and penetrate the Scandinavian real estate market. At DM25.77, or SKr117 an Asticus share, IVG Holding will pay a 50 per cent premium above the average Asticus share price of the past 30 days, or a premium of 38 per cent above Asticus' last quoted price of SKr85. Asticus owns about 40 commercial properties in Brussels, Paris and London. The offer assumes that IVG Holding can acquire at least 90 per cent of Asticus's outstanding shares before April 15. **Uta Harnischfeger, Frankfurt**

### CABLE TV

## Deutsche Telekom in dispute

Deutsche Telekom's planned sell-off of its cable TV network has run into controversy following reports that one of the main potential investors, Deutsche Bank, has sought backing from the European Commission to speed up the sale. Rolf Breuer, Deutsche Bank chairman, is believed to have informed Karel Van Miert, the competition commissioner, last week of the bank's plans to acquire the cable network. The bank is thought to be angered that the sale of the network, in which more than 20 potential investors have expressed an interest, is taking longer than planned. Deutsche Telekom originally said it hoped to agree to the terms of the disposal at the start of the year. However, a bank spokesman dismissed reports in the German press that Mr Breuer had sought Mr Van Miert's support to speed up the sale. Yesterday, a Deutsche Telekom spokesman said: "If the claims about Deutsche Bank's overtures to Brussels are correct, this would indeed be a bit irritating." People close to events said the two companies are in serious dispute over the valuation of the cable network which passes 17.5m households, around half of all German homes, of which 6.5m are direct customers of Deutsche Telekom. **Frederick Stüdemann, Berlin**

### MARKETS

## Credit Suisse recruits Kohl

Credit Suisse, Switzerland's second biggest bank, has recruited Helmut Kohl, the former German chancellor, to join a new international advisory board. Franco Barnabe, chief executive of Telecom Italia, and Manfred Schneider, chairman of Bayer, have also been named to the new 12-strong board which will advise Credit Suisse on strategic issues in its core markets outside Switzerland.
**William Hall, Zurich**



# Morphosys prices IPO at top of range

**By David Pilling, Pharmaceuticals Correspondent**

Morphosys, a German biotechnology company, is expected today to become the first in its sector to trade on Germany's Neuer Markt exchange, after pricing its initial public offering at €25, the top of its €22-€25 range.

The issue, several times subscribed, has been eagerly awaited in Germany where generous official funding has sparked the creation of at least 300 biotech companies. Until 1995, when a government initiative was launched to encourage the sector, Germany lagged far behind France and the UK in biotechnology start-ups.

Morphosys, based in Munich, raised €25.8m ($27.9m), giving it a market capitalisation of €91m. Simon Moroney, chief executive, said the company had been "bombarded" by retail inquiries in the run-up to flotation. Trading on the grey market yesterday was in the mid-to-high €30s. The company, whose IPO was suspended last September because of turbulent market conditions, is likely to become the standard-bearer for Germany's biotech industry. It produces libraries of biological information to help pharmaceutical companies speed the drug-discovery process, and has contracts with Chiron, Pharmacia & Upjohn and DuPont of the US.

Several other German companies, some of which are also based around Munich – fast becoming one of Europe's most important biotech areas – are considering flotation. Much will depend on how Morphosys shares perform. There is some concern among competitors and fund managers that they could become overvalued as a result of the scarcity of listed biotechnology companies in Germany. This could leave it vulnerable to a market correction.

Last year Morphosys made a loss of DM1.5m (€770,000, $833,000) on revenue of DM8.9m, 80 per cent up on the previous year.

The IPO was lead managed by Deutsche Bank, with *BancBoston Robertson* Stephens and SG Cowen acting as co-managers.

## FortuneCity.com to list on Frankfurt's Neuer Markt

FortuneCity.com, a US internet services provider, is to list its shares on Frankfurt's Neuer Markt this month in an initial public offering that could value it at up to €390m ($423m), **writes Vincent Boland.**

The company has set an indicative price range for its shares of €13-€15 and some 25 per cent will be listed. The stock is due to begin trading on March 19.

FortuneCity.com began a series of meetings with potential investors yesterday. Deutsche Bank is global co-ordinator for the issue, a rare example of a US company listing outside its own market.

FortuneCity.com operates "communities" on the worldwide web which allow users to interact and develop their own home pages. It makes money by charging advertisers for access to these users.

# Israeli groups look to Europe for capital

**By Judy Dempsey in Jerusalem**

When Yoram Karmon, chairman of Peptor, a fast-growing Israeli biotechnology company, wanted to raise capital last year, he considered a listing on Easdaq, the pan-European stock exchange that targets high-growth small companies.

But he was disappointed with the response, and opted for a $20m private placement in Europe through Paribas, the French bank.

Now that he has set up a subsidiary in Germany, he says that next time he needs capital he will consider the Neuer Markt, the Frankfurt market for growth companies. This is part of the Euro.NM alliance of small capitalisation markets established by Europe's national bourses, which has a combined market capitalisation of $50bn.

By contrast, Supercom, an Israeli high-tech company specialising in ID and smart card security, intends in the coming weeks to raise $30m on Easdaq. It believes the pan-European aspect of the exchange will give it high visibility, in addition to providing additional capital to expand in Europe.

Yet though Peptor and Supercom have different ideas about where to list in Europe, the fact that the region features prominently in their strategy as a place to raise capital shows how Israel's perception of Europe is changing. Both opted for Europe rather than the US Nasdaq market, where more than 80 Israeli high-tech companies are already listed.

Subsidiaries of the large holding companies, including Israel Corporation and Koor Industries, have recently made acquisitions in Europe to gain a foothold in the European Union's single market.

The EU is Israel's largest trading partner, with total trade last year amounting to $20.4bn, but with Israel running a trade deficit of more than $6bn. Furthermore, Israel was this month admitted to the EU's four-year research and development programme, allowing it to compete for research projects worth a total of $16.4bn.

In the other direction, European companies – including Baan of the Netherlands – have started making acquisitions in Israel, snapping up high-tech companies.

Such developments may woo Israeli companies seeking initial public offerings to Europe. For its part, Easdaq has embarked on an aggressive campaign in Israel, anxious to increase its market capitalisation, currently $19.23bn, and the number of listed companies – only 40 so far.

"Israel has the type of companies Easdaq is seeking," says Adam Ofek, president and chief executive of Solid IG Group, the Israeli investment house. "Europe is also starting to look much more favourably at biotech and high-tech companies. This is to Israel's advantage. Besides, Europe is definitely interested in providing an option to Nasdaq."

Easdaq's selling points are that the exchange is not overcrowded; valuations tend to be higher than on Nasdaq; and it is flexible enough to allow dual listings for companies wanting to be listed in Europe and the US, or simply use Easdaq as a stepping stone to Nasdaq.

Yet for all the claimed advantages, Easdaq may have a hard time enlisting Israeli companies. Many groups still prefer a national listing offered by the Euro.NM, especially if they are established in the local market.

Last year, for example, three Israeli companies launched IPOs on Euro.NM – two in Brussels, one in Paris – while WizCom, the Jerusalem-based company specialising in producing scanning and recognition technology, plans to list on the Neuer Markt later this year.

"We looked at Easdaq," says David Gal, WizCom president and chief executive. "But we opted for the Neuer Market. In the long term, we felt Frankfurt would become the financial centre in Europe and the Neuer Markt the leading market for high-tech companies."

## COMPANIES & FINANCE: THE AMERICAS

**SOFTWARE** HOUSTON GROUP BUYS ISRAELI COMPETITOR TO BOOST POSITION IN ENTERPRISE MANAGEMENT

# BMC buys New Dimension for $650m

By Avi Machlis in Jerusalem

BMC Software, the Houston-based software group, yesterday said it had agreed to purchase New Dimension Software of Israel for more than $650m in cash in an effort to boost its position in the enterprise management industry.

The move is the biggest foreign acquisition of an Israeli high-tech company, and follows a wave of acquisitions by US technology firms in Israel over the past year. BMC hopes to complete the deal by the end of April.

BMC also expects to complete its acquisition of Boole & Babbage of San Jose, California, worth about $900m in stock, by the end of this month. B&B is New Dimension's distributor in Europe.

Max Watson, BMC chief executive, said the two acquisitions would "position BMC Software as a top-tier player in the enterprise management industry focused on rapidly delivering value to a business". BMC, he added, would provide New Dimension with a "quantum leap" in distribution capability.

Enterprise management software is used for managing complex computer systems, and is a crucial tool for large organisations and companies. New Dimension specialises in job scheduling, management of computer-generated documents and security. BMC is focused on products that optimise the performance of business applications and ensures they can be recovered in emergencies.

BMC will pay $52.50 a New Dimension share, about a 7 per cent premium to New Dimension's opening price on Nasdaq yesterday. In early trading, New Dimension was up $2⅞ to $51⅝, and BMC rose $4¼ to $42⅞.

The merged group will have annual revenues of about $1.4bn. All three companies are listed on Nasdaq. BMC's market capitalisation before trading began yesterday was $8.3bn, New Dimension's $580m, and B&B's $708m. Their principal competitor is Computer Associates of New York State, valued at about $22.2bn.

Some analysts said New Dimension might get swallowed up in BMC. "But it will have much greater growth potential inside a company like BMC than if it remains alone in Tel Aviv," said Israel Gershi, equity analyst at Solid Capital Markets, a Tel Aviv brokerage.

New Dimension had net income of $20.5m on revenues of $93.9m in 1998. BMC, the world's 12th largest independent software vendor, reported net income of $299.7m on revenues of $958.4m.

# VLSI bolsters its bid defences

Computer chip maker VLSI Technology said yesterday its directors had amended the company's "poison pill" defences, making it harder for Philips Electronics to succeed in its $777m hostile takeover bid, reports Reuters in San Jose, California.

VLSI said its shareholder rights plan had been amended and now would be triggered if any new shareholder took a 10 per cent stake in the company. Previously, the trigger was 20 per cent.

In the event that a shareholder buys a significant new stake in VLSI, the "poison pill" provision causes a flood of new shares to be issued to existing shareholders, making it prohibitively expensive to pursue an unwelcome takeover.

In a statement, VLSI said it would consider Philips' takeover proposal made on Friday.

"The [shareholder rights plan] amendments adopted today merely seek to protect the process that enables the board to evaluate Philips' offer," said Mr Al Stein, VLSI chief executive.

The amended VLSI shareholder rights plan also removes a 10-day window that potentially allowed an acquirer to redeem the shareholder rights after replacing the VLSI board.

# Philips breaks Silicon Valley tradition on takeover trail

### Mobility of staff makes hostile bid a risk, writes **Louise Kehoe**

The aggressive tactics of Philips, the Dutch electronics group, in its move to acquire VLSI Technology, a Californian chipmaker, have come as a surprise to many industry observers.

Hostile takeover bids are rare in Silicon Valley, largely because talent is highly mobile. Conventional wisdom has it that an unfriendly merger may result in employees "turning into the next parking lot" to join another high-tech company, or forming their own start-up.

Yet just a week after telegraphing its intentions to VLSI shareholders with a public statement announcing its $17 a share cash offer, Philips launched a tender offer on Friday. The Dutch company left no doubt of its determination by simultaneously filing a lawsuit seeking to invalidate VLSI's anti-takeover defences.

For VLSI, the Philips bid comes after several informal approaches by would-be suitors over the past couple of years, all of which were rebuffed by Al Stein, chairman and chief executive. Mr Stein, according to his peers in the US chip industry, is determined to retain the independence of the company he has led since shortly after its formation in 1980.

A few months ago, Philips might have faced little resistance. Between August and October last year, its target's shares languished at $7, down from a high of $36 less than a year earlier. But that was in the dark days of a semiconductor industry downturn when it seemed that Asia's economic problems would prolong a slump in sales growth. It was also a particularly difficult time for VLSI, following the departure of several senior executives.

Today, the picture is brighter. The semiconductor market is strengthening and industry analysts are projecting growth of 10-15 per cent this year.

Before Philips' bid, Wall Street analysts had been predicting a comeback for VLSI in the second half of this year, following recent design wins that promised to boost business.

By January, VLSI's share price had bounced back to about $12. Fourth-quarter 1998 results beat Wall Street estimates and the company was touting a new approach to "rapid prototyping" that would enable its customers to bring new products to market faster.

Moreover, investors began to look more favourably at VLSI as other semiconductor manufacturers – notably IBM in a February technology announcement – drew attention to the often overlooked custom-designed segment of the chip industry.

VLSI's core business is supplying custom-designed chips to manufacturers of cellular telephones and consumer electronics products. It specialises in "system on a chip" designs that incorporate many of the core functions of a product on a single semiconductor chip.

Philips' primary interest in acquiring VLSI is to boost its semiconductor sales, the Dutch company has said. Yet it is clear that VLSI could also become a supplier of chips to Philips' own consumer electronics and cellular telephones.

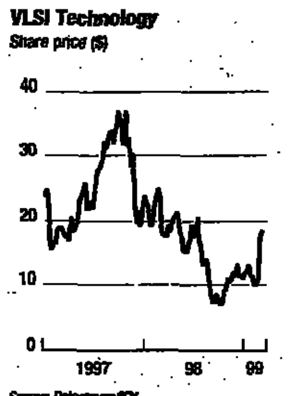
However, VLSI shareholders are betting that Philips will have to put up a fight to acquire the Silicon Valley company. VLSI's shares closed at $18⅞ on Friday, well above Philips' offer price, amid speculation that VLSI would find a "white knight" to top Philips' price.

Yet the prospects of US companies bidding for VLSI are small. In September and October, VLSI lowered the prices of stock options it offers to employees. Under US accounting rules this means that an acquisition could not be treated as a "pooling of interests".

Instead, a US buyer would have to amortise goodwill over a period of years, lowering its net earnings. Since European companies are already restricted in the use of "pooling", they become the most likely prospects for a counter-bid.

There has been speculation that ST Microelectronics might step in, though the Franco-Italian semiconductor group has declined to comment. Ericsson, VLSI's largest customer, might be another prospect, but the Swedish telecommunications company appears content to have Philips take over its chip supplier.

Whoever acquires VLSI, one person stands to gain handsomely. Mr Stein is guaranteed a $1.2m retirement fee and a lump-sum payment of at least $2.8m in the event VLSI is purchased, according to VLSI's SEC filings.





Battle ahead: Cor Boonstra of Philips takes up the cudgel Reuters

# EG&G pays $425m for Perkin-Elmer unit

By David Pilling, Pharmaceuticals Correspondent

Perkin-Elmer, the Connecticut-based company best known for its genetic sequencing machines designed to decode the human operating instructions, yesterday sold its Analytical Instruments Division to EG&G for $425m.

Perkin-Elmer, which is to change its name to PE Corporation, had earlier announced its intention to sell Analytical to enable it to concentrate its efforts on supplying higher-margin technology and data to life science companies.

PE will consist of two main divisions: PE Biosystems, which supplies sequencers, reagents and software to industry, and Celera Genomics, which last year took genetics researchers by surprise by pledging to decode the whole human genome in three years.

Analysts expect Celera to be spun off at some stage.

Eric Schmidt, vice president at SG Cowen in New York, said the disposal price – which included $150m in EG&G debt – was roughly in line with Wall Street expectations.

Shareholders, he said, broadly approved of PE's strategy of moving out of its lower-margin businesses to focus on genetics analysis.

Celera is in a race to unravel the human genetic code with Incyte, a US biotech company, the US National Institutes of Health and the UK's Wellcome Trust.

On the equipment side, PE competes with Nycomed Amersham, the merged Anglo-Norwegian company, which manufactures the MegaBace sequencer.

# HP to set up internet division

By Roger Taylor in San Francisco

Hewlett-Packard, the computer maker, is forming a new business division to focus on the internet and e-commerce in a move designed to help it compete more successfully with rivals such as IBM and Sun Microsystems in this rapidly growing market.

Joe Beyers, who will head the new Internet Business Unit, said he planned to expand aggressively the division through internal development, acquisition and the hiring of talent from outside the company.

He said the unit would break with HP's entrenched corporate culture which has been criticised for being too cosy. He said it would adopt a "new mindset" and become "far more aggressive".

The move comes just days after HP announced it was spinning off its test and measurement arms to focus on higher-growth areas. The company has failed to keep pace with growth rates achieved by other high-technology companies and has fallen behind competitors in the market for internet-based computer systems.

The new division will bring together all HP's existing internet-related software businesses, including VeriFone, which makes systems for financial transactions over the net, as well as call centre and customer relations software.

The creation of the new unit coincides with an advertising push by HP which will emphasise its strengths as a provider of e-commerce systems. Mr Beyers said the division would create packaged products aimed at key industries including telecommunications, financial services and retailing.

The new division will employ 4,000 people. Mr Beyers said HP was not yet releasing revenue figures for the operation but said it was growing at more than 100 per cent a year. He also said it was still in its "investment phase", indicating that it was unlikely to be profitable initially.

# Homestake Mining buys Vancouver rival

By Nikki Tait in Chicago

Homestake Mining, the US-based goldmining group with interests in North and South America and Australia, is to acquire Argentina Gold, a smaller Vancouver-based exploration company, in a share-swap deal worth around US$200m.

Argentina was subject to another offer recently, from Barrick Gold, the Canadian mining group, but Barrick's C$5 a share bid failed to gain sufficient acceptances and expired last month. At that time, Argentina said that it was in discussions with several other companies.

Argentina's main asset is a 60 per cent interest in the Veladero property in the north-west of Argentina, in which Barrick also holds a 40 per cent interest.

Argentina's own resource estimate suggests that the three mineralised zones there could contain more than 4.5m oz of gold and 100m oz of silver. It also has a number of other prospects in the country's El Indio goldmining area.

Under the terms of the agreement, Argentina Gold shareholders will receive 0.545 share of Homestake for each share of Argentina Gold. Based on the closing price for Homestake common stock on Friday, the transaction values each Argentina Gold share at $5.14.

However, with the Homestake offer pitched well above the price which Barrick appeared willing to pay, the US company's shares dipped $¾ to $8$\frac{11}{16}$ in early New York trading yesterday.

Homestake said it would account for the purchase as a pooling of interests.

Directors of Argentina Gold, representing about 15 per cent of outstanding Argentina Gold stock, said they intended to vote in favour of the deal.

The companies expect to complete the transaction in May.

# TIAA-Cref wins move on AMD board independence

By Daniel Bögler in New York

TIAA-Cref, the largest US pension fund, has won agreement from semiconductor manufacturer Advanced Micro Devices to increase the independence of its board of directors.

The fund has withdrawn a resolution criticising the lack of independence of AMD's directors and of its audit, employee stock and nominating committees, after the chipmaker agreed to nominate a new outside director at this year's AGM and promised additional independent directors would be appointed.

The New York-based pension fund, with $254bn under management, has been successfully pursuing a low-key approach to corporate governance by negotiating with companies in private.

TIAACref defines an independent director as one who has no present or former employment by the company or any significant financial or personal ties, other than stock ownership, to the company or management.

## NEWS DIGEST

**INVESTMENT BANKING**

### Insiders to fill majority of Goldman board seats

Goldman Sachs has turned its back on current accepted US boardroom practice by giving a majority of its board seats to people who are "insiders" at the firm, it emerged yesterday. The move goes against the now widely-accepted view in corporate America that company boards should contain a majority of "outsiders" with no other links to the company, a move which is intended to protect the interests of shareholders.

Such a recommendation has been adopted by large shareholder groups and investment funds such as Calpers and TIAA-Cref. It is also supported by the Business Roundtable, an association of chief executives of the 200 largest US companies – many of them Goldman's clients.

The news came as the on-off initial public offering of Wall Street's last significant private partnership edged forward with the news that the 221 partners had voted "overwhelmingly" to turn their firm into a public company.

Goldman named five "inside" directors to the company's new board and said it would also appoint three "outsiders". Such a move runs counter to the general practice that US institutional investors have recommended for company boards, said Patrick McGurn of Institutional Shareholder Services, which represents a group of US institutions. "The accepted wisdom now is that there should be a majority of outsiders, but there should be a substantial majority," he added.

The board structure at Goldman was not likely to produce opposition from investors at first, Mr McGurn said. "However, if their performance falters, there may be more pressure on them to create a clear majority of external directors."

Goldman said that the firm was "fully intent" on handing majority voting control on its board to outside directors "over time", a period likely to be three to four years. He added that "it is not at all unusual" for company insiders to keep control as they go public, but could not provide details on how often this happened.

Among the "inside" directors named yesterday is John Weinberg, now the firm's senior chairman and head of the firm either alone or jointly from 1976 to 1990. His appointment marks a continuation of a remarkable family influence at Goldman: Mr Weinberg's father, Sidney, had run Goldman for many years, laying the foundation for its dramatic growth in the 1980s and 1990s.

Details of yesterday's partner vote were not released, but John Corzine and Henry Paulson, co-chairmen, claimed there was "strong consensus" for their plan to seek a stock market listing. **Richard Waters, New York**

**SECURITAS/PINKERTON INQUIRY**

### Swedish official goes to US

Bo Skarinder, a Swedish chief prosecutor yesterday said he hoped to meet US Securities and Exchange Commission officials to discuss alleged illegal trading of shares in Pinkerton, the US security company, before it was taken over by Sweden's Securitas.

"I am thinking about meeting the investigators to see what kind of material they have found," said Mr Skarinder, who will be in New York on Wednesday. Nine people are being formally investigated in Sweden in relation to the dealing. The SEC has filed a civil action against a broker from Den norske Bank and four of his clients.
**Reuters, Stockholm**

**BIOTECHNOLOGY** ANGLO-NORWEGIAN GROUP ATTRIBUTES PROFIT IMPROVEMENT TO CORE IMAGING AND LIFE SCIENCES OPERATIONS

# Nycomed beats forecasts with rise to £223m

By Valeria Sköld in Oslo and David Pilling in London

Nycomed Amersham, the recently merged Anglo-Norwegian imaging and biotechnology company, yesterday edged ahead of market forecasts by reporting net profits up 11 per cent from £200m to £222.8m ($359m) on stronger sales in its two core businesses.

The results were marginally offset by a slowdown in the pharmaceuticals unit, Pharma, which is expected to be sold.

Profits at Pharma fell 3.8 per cent to £37.7m, mainly because of the collapse of the Russian market, where the division had significant sales. Bill Castell, chief executive, said the company had held exploratory talks about a possible disposal or other arrangement.

"When the right opportunity comes to find the right way forward for Pharma's future, I'm sure we'll grasp the opportunity. Offload is the wrong term. We want to find the right route for our Pharma business."

The company, which describes Pharma as a non-core business, said there was no timetable for disposal.

Mr Castell attributed the encouraging results in the first full year since a three-way merger in 1997 to a strong performance in its two core businesses, imaging and life sciences. The company was formed from the mergers of the UK's Amersham with Norway's Nycomed and Sweden's Pharmacia Biotech.

Profits at Nycomed Amersham Imaging, the group's largest business, rose 13.7 per cent to £158.9m on sales of £667.6m helped by a good performance in its key products. These include Myoview, which tests for signs of heart failure, and iodine seeds, used to combat prostate tumours.

The division did well in the US, signing two big contracts with healthcare providers.

Amersham Pharmacia Biotech, the life science business in which Pharmacia & Upjohn of the US retains a 45 per cent stake, increased profits 47 per cent to £73.4m.

That includeD a goodwill write-off of £6m associated with the purchase of Molecular Dynamics, a company that makes sequencing machines to unravel the genetic code. Turnover rose 10.8 per cent to £449.6m.

The company expects that earnings from its life sciences division will grow in the high single-digit range, or possibly more if it wins patent litigation over DNA sequencing techniques.

Nycomed achieved £32m in post-merger cost savings.

# Albemarle in offer for Albright

By Lucy Smy

Albemarle Corp, the US-based fine chemicals company, has made an agreed £408m ($657m) cash offer for UK chemicals company Albright & Wilson, offering shareholders 130p per share.

The offer included a hefty premium but disappointed institutional shareholders who indicated they would wait to see whether the offer would be topped.

At 130p Albemarle is offering a 70p premium to the price that Albright's shares were trading at late in January when Albright announced it was in tentative takeover talks. However, analysts have calculated a break-up value for Albright of between 139p-160p. Last night, Albright closed up 19½p at 129½p.

"This is a complex poker game and there are other players," said one institution. Between them Phillips & Drew, Mercury Asset Management and M&G Group control 41 per cent of Albright's shares.

Institutions also pointed to what they called Albright's "less than enthusiastic" recommendation for the offer. Albright said in a statement that "on balance" the directors had decided to recommend the offer, as 130p per share "would be difficult to achieve under present stock market conditions".

Albemarle's bid came as a surprise to most analysts who had been expecting interest from companies with more obvious product overlap. By the end of the day Albemarle had bought 18.6 per cent of Albright's shares in the market.

Albright's main divisions are surfactants - used in detergents - phosphates and phosphorus derivatives. Albemarle's chemicals are mainly bromide-based. It makes flame-retardants, aluminium alkyl as well as pharmaceutical ingredients and Ibuprofen, an analgesic.

Floyd Gottwald, left, and Paul Rocheleau, chief executive of A&W

Floyd Gottwald, Albemarle's chairman and chief executive, said: "The two product lines fit. They do not compete with each other, but go to the same market. The two companies complement each other."

Albemarle was spun-off from the US company Ethyl in 1994, is listed on the New York stock exchange and is based in Virginia. It has 10 facilities in four countries, compared with Albright's 10 facilities in 16 countries.

# IMI to step up restructuring

By Juliette Jowit

IMI, the engineering group, is to step up its restructuring programme this year after reporting a decline in first-quarter trading.

Rationalisation costs will double this year to £15m, ($24m), including 300 job cuts already announced, as part of the company's move to protect its margins.

Gary Allen, chief executive, said January and February sales were down more than 4 per cent, but had "flattened out" in March.

"We see quite clearly that March levels are flattening instead of going down, and in certain areas we are seeing signs of demand improvement," he said.

Despite the short-term gloom, the shares rose 17p to close at 252p following results for the year to December 31 which were at the top end of expectations.

Pre-tax profits rose 12 per cent to £167m, including an exceptional profit of £14.8m from the sale of 11 non-core businesses. Turnover edged up from £1.43bn to £1.45bn, although sales in continuing businesses dipped from £1.3bn to £1.28bn.

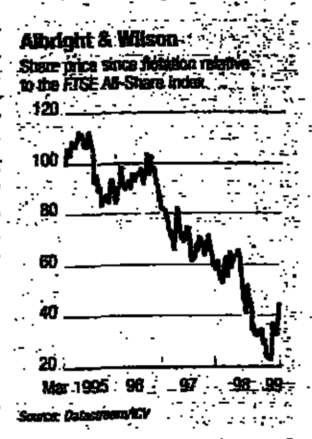
With gearing reduced to 21 per cent (58 per cent) and interest cover standing at 28 times, the company has £300m to fund acquisitions in all four divisions, said Mr Allen.

The company's specialist engineering business in niche market valves is to be remaned energy controls. Building products, which concentrates on hot water and heating systems, will be renamed hydronic controls.

Earnings per share were 33.5p (31.2p) and a proposed final dividend of 9.1p makes a total of 14.8p (14p).

## COMMENT

### Albright & Wilson




Albright & Wilson's recommendation of Albemarle's bid is downbeat in the extreme. Directors decided "on balance" to recommend the offer as being "reasonable". Throw in the stress on challenging trading conditions and the stock market's current allergy to small and cyclical stocks, and the tone is nothing short of grudging. Rightly so. At 130p a share – compared with last year's high of 191½p – Albemarle's offer values Albright at an unimpressive 12-13 times forecast earnings for 1999. If the management believes what it says about its good medium term prospects, should it have rejected the bid?

Probably not. After all, the management had a poor hand to play: Albright is a smallish company exposed to the commodity chemicals cycle *and* sterling. Moreover, the company has been talking to potential bidders for months. As an auction process drags on, a company can start to look shop-soiled.

Now there is a floor under the share price. Potential counter-bidders, such as Rhodia, will notice that Albemarle has not won the all-important irrevocable undertaking from Phillips & Drew Fund Management, which has 24 per cent of Albright. Furthermore, Albright has got Albemarle to back its own efforts at corporate activity: a possible bid for the phosphates business of US-based Solutia. That may make Albright more attractive to those shy counter-bidders.

### South African Breweries

So South African Breweries looks likely to secure its FTSE 100 place tomorrow. Yet there is some cause for unease that this should happen a mere two days after its admission to the London Stock Exchange. So far investors have been treated to a slick marketing exercise and a technical squeeze on the shares, but an absence of up-to-date information. It would have been better if the company had waited until its results for the year to March 31 were available. As it is, there is a wide range of analysts' forecasts, plus rumour of a non-core business disposal.

So technical factors – notably index trackers chasing shares with limited liquidity – are left with the strongest bearing on the price. The shares' almost instant inclusion in the FTSE 100 index would exacerbate this. FTSE International should consider changing its rules.

# Thomson mulls overseas expansion

By Elizabeth Robinson

Thomson Travel Group, the UK's leading tour operator, set the scene for further growth yesterday as it announced its first full-year results since flotation last May. Paul Brett, chief executive, said: "We expect to see further international expansion."

Mr Brett said he was not currently looking at a large acquisition. "There's no predicting when a major one will come along. It's certainly not off the agenda."

Thomson announced pro forma pre-tax profits up 10 per cent to £122.9m ($198m), in line with expectations. However, the company's shares fell 10½p to 161p, compared with its 170p flotation price, after it issued a disappointing statement for UK trading in the current year.

The company said bookings for summer holidays on a like-for-like basis were 2 per cent down, although demand had picked up in the past month.

Turnover rose 15 per cent to £2.6bn, with £44m coming from acquisitions.

Scandinavian profits nearly doubled to £12.9m and Ireland saw growth of 61 per cent to £5m thanks to acquisitions.

Mr Brett's comments on Thomson's plans to expand in Europe come amid continuing industry consolidation.

# Inchcape ponders special dividend

By Susanna Voyle

Inchcape is understood to be considering returning £570m ($918m) to shareholders through two special dividends as the former trading company completes its transformation into a focused motor distribution business.

The group, which yesterday announced an annual loss of £297.6m ( restated profit of £90m) after exceptional reorganisation charges of £403.7m, has sold four of six businesses earmarked for disposal.

The shares dipped 8p to 139p.

Inchcape has sold its Russian and South American bottling interests, its marketing arm in the Asia Pacific region and its shipping services division.

It is negotiating to sell its interests in marketing in the Middle East and office automation distribution in Japan.

Philip Cushing, the chief executive who will leave the group once all the disposals are complete, said the two final deals should be completed by the end of June. He refused to reveal how much money would be returned to shareholders or how it would be done, saying details would be issued in four to six weeks. Inchcape has already raised £549.5m, before tax and costs, and analysts expect the remaining two businesses to fetch about £100m.

هكذا من الأصل



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*March, 1999*

# Dispute over Wembley stadium intensifies

By Patrick Harverson and Charles Pretzlik

The company buying Wembley stadium last night said it would refuse to negotiate a new deal to buy the sporting landmark if SFX Entertainment blocks the existing £106m ($170m) deal favoured by the Wembley board.

Bob Stubbs, chief executive of the English National Stadium Development Company, which is buying the stadium with backing from the Football Association, said: "It's taken 18 months to put together and if this deal doesn't go through by next Monday, we'll walk away."

SFX, the US live entertainment promoter, has asked Wembley to postpone Thursday's shareholder vote on the stadium sale to ENSDC by up to a month. It said it would probably make an offer for the stadium's parent company worth between 400p and 450p a share in cash if it can have more time to examine Wembley's books. However, under the existing arrangements, the deal on the stadium between ENSDC and Wembley collapses if shareholders have not approved it by March 15.

Mr Stubbs dismissed SFX's offer to sell ENSDC the stadium for less than £106m in return for a role in managing the new stadium.

He said ENSDC has an exclusive long-term agreement stage the FA Cup final and England internationals, and the FA would not agree a similar deal with anybody else. If SFX acquired the stadium as part of a takeover of the Wembley parent group, it would only be buying a "derelict building".

SFX's interest has been encouraged by three of Wembley's non-executive directors, who believe the stadium is being sold too cheaply. However, its proposals were rebuffed yesterday by its two executive directors and its non-executive chairman, Claes Hultman. Following a board meeting Wembley said: "The chairman and the executive directors continue to consider that it is in the best interests of the company to proceed with the stadium sale agreement."

They are understood to have the support of the group's largest shareholders.

The sale of the stadium to the ENSDC lies at the heart of a £240m project to build a new national stadium at the north London site capable of hosting the World Cup final in 2006 and an Olympics.

# CMG enjoys European demand

By Paul Taylor

Strong demand for computer services across western Europe shows no sign of abating, according to CMG, the Anglo-Dutch information technology group.

Cor Stutterheim, chairman, said the outlook remained positive because customers were more influenced by competitive pressures than the economic slowdown in setting IT budgets.

CMG, which yesterday reported 1998 pre-tax profits up 49 per cent to £57.5m ($93m), said it did not expect the millennium bug to hamper growth.

The surge in profits reflected organic growth and continuing improvement in margins. The results included goodwill amortisation for the first time.

Turnover rose 46 per cent to £443.8m (£303m) in the year to December 31 with the bulk of the gain coming from organic growth. Operating margins before goodwill amortisation increased for the sixth successive year to 13.2 per cent, up from 12.3 per cent. Staff numbers grew by 44 per cent last year to 7,122 and is now about 7,500.

Chris Banks, finance director, said CMG expected its recently created French division, the only unit to report a loss last year – of £2.7m – to break even in 1999 and make a profit in 2000.

Mr Stutterheim said CMG had secured higher market share in its core territories and continued improvement in margins in Benelux, the UK and Germany through higher levels of productivity and economies of scale.

He said the disruption in global financial markets had shown the resilience of the focus on organisations and industry sectors where market conditions require substantial change to survive and prosper.

The group made six acquisitions in 1998. In the UK operating profits almost doubled to £9.2m. The Benelux subsidiaries raised profits by 58 per cent to £53.3m. In Germany, where CMG has had problems in previous years, profits were £2.21m (£1.13m).

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Brands Hatch | Yr to Dec 31 | 19.3 | (16 ) | 4.59 | (3.55 ) | 14.6 | (11.1 ) | 4 | July 9 | 3.7 | 4 | 3.7 |
| British Vita | Yr to Dec 31 ★ | 853.3 | (808.4 ) | 71.3 | (66.2 ) | 20.9 | (19.5 ) | 4.75 | May 10 | 4.5 | 9.25 | 8.75 |
| Bunzl | Yr to Dec 31 | 1,939 | (1,753 ) | 113.8♠ | (125.9♥) | 15.9 | (17.9 ) | 4.85 | July 1 | 4.5 | 7.35 | 6.8 |
| CMG | Yr to Dec 31 | 443.8 | (303 ) | 57.5 | (38.5 ) | 30.5 | (20" ) | 4 | May 20 | 2.6 | 6 | 3.9" |
| Gowrings | Yr to Dec 31 ★ | 87.7 | (78.9 ) | 1.61 | (1.32 ) | 12.27 | (9.64 ) | 2.75 | May 7 | 2.4 | 4 | 3.5 |
| Graham | Yr to Dec 31 | 529.6 | (530.8 ) | 22.2♠ | (21.3♥ ) | 10.8 | (10.3 ) | 4.2 | May 12 | 4 | 6.5 | 6 |
| Gr'pe Chez Gerard | 6 mths to Dec 27 ★ | 19.1 | (13.4 ) | 1.98 | (1.7 ) | 7.1† | (6.9 ) | 1.27 | May 25 | 1.15 | - | 3.7 |
| Hammerson | Yr to Dec 31 | 127.9■ | (123.6■ ) | 88.9♥ | (61.7 ) | 23.1 | (15.8 ) | 8.68 | | 8.1 | 12.81 | 11.9 |
| IMI | Yr to Dec 31 | 1,455 | (1,434 ) | 167♥ | (148.9♥) | 33.5 | (31.2 ) | 9.1 | May 17 | 8.6 | 14.8 | 14 |
| Inchcape | Yr to Dec 31 ★ | 5,506 | (6,651 ) | 297.6L♠ | (89.6♠ ) | 69.1L | (1.5 ) | 6.6 | June 2 | 6.6 | 11.2 | 11 |
| Interior Servicesϕ | 6 mths to Dec 31 | 158.7 | (77.9 ) | 2.08♥ | (0.964 ) | 6.58 | (3.16 ) | 1.5 | Apr 20 | - | - | - |
| Interx | 6 mths to Jan 29 | 148 | (110.4 ) | 3.01♠ | (4.91♥ ) | 9.6 | (16.3 ) | 6 | Apr 23 | 5.75 | - | 13.75 |
| Litho Supplies | Yr to Dec 31 | 90.7 | (76.3 ) | 7.66 | (8.35 ) | 20.7 | (21.4 ) | 5.5 | May 28 | 5.5 | 9.2 | 8.94 |
| Manganese Bronze | 6 mths to Jan 31 | 52.6 | (47.2 ) | 1.02 | (1.4 ) | 3.89 | (5.27 ) | 4 | Apr 9 | 4 | - | 10.5 |
| Marylebone Warwick | 6 mths to Dec 31 | 19.8 | (32.3 ) | 1.58♠ | (4.11 ) | 2.2† | (6.5 ) | 1.25 | Apr 15 | 1.25 | - | 3.75 |
| Nycomed Amersham | Yr to Dec 31 ⁑ | 1,392 | (1,378 ) | 222.8 | (198.6 ) | 19.5 | (17.6 ) | 3.5 | June 1 | 3.4§ | 5.5 | 3.4§ |
| Persimmon | Yr to Dec 31 | 572.4 | (525.5 ) | 60.5 | (50.5 ) | 25.1 | (21.3 ) | 7.1 | Apr 30 | 6.5 | 10.4 | 10 |
| Provend | 6 mths to Dec 27 | 33.1 | (31.2 ) | 1.58 | (1.27 ) | 6.1 | (5.5 ) | 2 | Apr 15 | 1.25 | - | 4.5 |
| Relyon | Yr to Dec 31 | 77.6 | (66.3 ) | 10.4 | (9.81 ) | 31.1 | (31 ) | 10.5 | Apr 25 | 10.5 | 15.5 | 14.5 |
| Scottish Media | Yr to Dec 31 | 207.4 | (197 ) | 45.5 | (37♠ ) | 46.6 | (41.9 ) | 15.2 | May 28 | 15.2 | 24.2 | 22.5 |
| Servisair | Yr to Dec 31 ★ | 190.2 | (170.1 ) | 5.95 | (6.97 ) | 10.4 | (12.4 ) | 3.75 | May 25 | 3.55 | 5.5 | 5.3 |
| SGB | Yr to Dec 31 ⁑ | 284.8 | (266.5 ) | 21.9 | (16.9 ) | 20.2 | (15.6 ) | 4.4 | May 14 | 3.5 | 7.3 | 3.5 |
| Staffware ϕ | Yr to Dec 31 | 22.2 | (17.6 ) | 0.25 | (1.77 ) | 1.2† | (10.8 ) | nil | - | 2 | nil | 2 |
| Stat-Plus | Yr to Dec 31 | 19.6 | (14.1 ) | 2.93 | (2.76 ) | 10.9 | (10 ) | 6.156 | May 25 | 6.155 | 11.296 | 11.286 |
| Thomson Travel | Yr to Dec 31 ‡‡ | 2,618 | (2,273 ) | 122.9 | (111.8 ) | 9.3 | (8.4 ) | 2.25 | May 21 | - | 3 | - |
| Trafficmaster | Yr to Dec 30 | 12.2 | (8.64 ) | 3.27 | (0.241 ) | 11.3 | (0.8 ) | - | - | - | - | - |
| Try | Yr to Dec 31 ★ | 150.6 | (157.2 ) | 3.41 | (2.23 ) | 4.56 | (2.74 ) | 0.65 | May 21 | 0.6 | 1 | 0.6 |
| Vanguard Medica | Yr to Dec 31 | 4.58 | (1.55 ) | 16L | (21.2L ) | 51L† | (85L ) | - | - | - | - | - |
| WSP | Yr to Dec 31 | 77.4 | (57 ) | 4.68♥ | (3.25 ) | 10.4† | (7.3 ) | 1.9 | May 6 | 1.5 | 3.3 | 2.8 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Candover Invs | Yr to Dec 31 | 877 | (703 ) | 8.55 | (5.52 ) | 37.57 | (24.35 ) | 17 | May 20 | 15 | 25 | 20 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★ Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. "Adjusted for scrip issue. ■ Net rental income. ⁑Comparatives pro forma. §For nine months. ϕAim stock. ‡‡Pro forma.

# EMI's new chief makes a leap from snack food to music

Eric Nicoli succeeded despite a lack of industry knowledge writes **Alison Smith**

It was the opposite of a honeymoon period: confirmation yesterday that Eric Nicoli, group chief executive of United Biscuits, will become executive chairman of EMI Group, lifted UB shares slightly, while depressing EMI's.

Mr Nicoli, 48, professed no surprise at the City reaction. "I would have expected some mild surprise bordering on disappointment because a music industry big hitter was not appointed," he said.

It is easy to understand why he did not seem the obvious choice, even though he has been an EMI non-executive since 1993. He began his career in the market research department at Rowntree Mackintosh and had spent 19 years at UB, including eight and a half years as chief executive.

According to his supporters, however, his skill in managing people, his experience of running a company and his extensive knowledge of the international marketing of consumer goods will stand him in good stead when he takes up his new role in July. So, apparently, will his lack of inside knowledge of the music industry.

Mr Nicoli says that in Ken Berry and Martin Bandier, chief executives of recorded music and music publishing businesses, EMI already has two big hitters.

Sir Dominic Cadbury, an EMI non-executive director, says: "He is not trying to compete on knowledge of the music industry ... He's been operating in a tough world, and understands what is required in terms of shareholder value."

It has been a lesson learnt in harsh conditions. Some UB shareholders were unhappy with its performance during the early 1990s. There was a pre-tax loss of £100.6m in 1995. Michael Landymore, analyst at Henderson Crosthwaite, says: "UB continued its acquisition strategy in the 1990s during Mr Nicoli's leadership, as market conditions became more competitive". Purchases included The Smith's Snackfood Company of Australia, later sold.

Mr Short acknowledges that sorting out and disposing of the US operation perhaps contributed to delays in integrating the European biscuit businesses. But he stands by his chief executive's approach. "Strategically he has a very good vision of where a company should be taken and then the courage to drive it forward."

# EURO PRICES

## EQUITIES

# Lacklustre bourses turn down after rally

### EUROPEAN OVERVIEW

By Florian Gimbel

European shares began the week on a negative note as concerns over poor euro-zone fundamentals and high valuations resurfaced.

Friday's rally thus proved to be short-lived, with worries over higher US interest rates back at the top of the agenda.

Analysts agreed the current lacklustre interest in euro-zone equity was reflecting a general trend of underperformance. But the reasons behind this were less clear.

"The surprising feature of the continental markets is that they have not been stronger in spite of a weakening currency and an upward revision of [economic] growth expectations," said Ian Scott at Lehman Brothers.

To others, however, the answer was simple. "European shares are overvalued. The earnings risk for cyclicals is increasing, and growth stocks are looking expensive," said Philip Isherwood at Dresdner Kleinwort Benson.

"There has been weakness across the board, which shows the absence of relative value in continental Europe. Equity futures trading has been the only driving force behind today's markets."

Euro-zone weakness was to the benefit of UK shares, where the prospect of monetary and fiscal easing made equities attractive.

Oil stocks, which had rallied on Friday, put in a surprisingly weak performance in spite of further upward moves in the price of crude oil. Brent blend gained a further 35 cents to $11.91 on hopes of production cuts by Opec members.

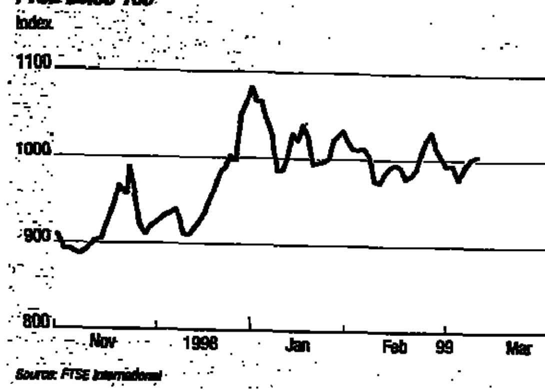
The automobile sector also posted losses of around one per cent.

Chemicals were buoyed by the prospect of higher earnings, with BASF and Bayer issuing figures today. Both companies' shares ended moderately higher. Hoechst, which has reported preliminary 1998 earnings, rose 1.9 per cent.

Siemens fell victim to disappointment over the size of its latest US acquisition, ending 2.8 per cent lower at €57.70.

The FTSE Eurotop 300 index fell 8.77 to 1,232.51, while the FTSE Eurotop 100 declined 22.72 to 2,835.74. The FTSE Ebloc index of leading stocks in the euro-zone settled 9.71 lower at 1,007.82.

FTSE Ebloc 100




Source: FTSE International

### THREE MONTH EUROBOR FUTURES (LIFFE) €1m 100-rate / THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate / THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate / FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point / EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

[illegible]

### OTHER INDICES

| | Mar 8 | Mar 5 | Mar 4 | 1998/99 High | Low | Since compilation High | Low |
|---|---|---|---|---|---|---|---|
| DJ Stoxx 50 | 3466.29 | 3527.35 | 3441.65 | 3670.62 | 2433.07 | 3670.62 | 2433.07 |
| DJ Euro Stx 50 | 3495.43 | 3535.64 | 3434.45 | 3685.36 | 2419.23 | 3685.36 | 2419.23 |
| MSCI Europe | (x) | (x) | 1193.95 | 1315.65 | 906.58 | 1315.65 | 510.78 |

Source: Financial Times Information. *Subject to revision next day. (x) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

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Mar 08

| National & Regional Markets | Euro Index | Day's % | change points | Yield gross % | xd adj ytd | Total retn (Euro) € |
|---|---|---|---|---|---|---|
| FTSE Eurotop300 | 1232.51 | −0.71 | −8.77 | 2.17 | 3.14 | 1272.38 |
| FTSE Eurotop 100 | 2835.74 | −0.79 | −22.72 | 2.15 | 8.57 | 1019.67 |
| FTSE Ebloc 100 | 1007.82 | −0.95 | −9.71 | 2.00 | 0.74 | 1023.77 |
| FTSE EuroMid | 1203.62 | +0.00 | +0.04 | 2.79 | 2.36 | 1249.86 |
| FTSE EuroMid Ebloc | 1189.40 | −0.07 | −0.86 | 2.33 | 1.55 | 1216.24 |
| FTSE EuroMid Ex UK | 1231.46 | +0.13 | +1.57 | 2.18 | 1.14 | 1255.43 |
| **FTSE Eurotop 300 Regions** | | | | | | |
| Eurobloc | 1259.16 | −0.82 | −10.39 | 1.96 | 1.16 | 1287.32 |
| *UK* | *1199.05* | *−0.58* | *−6.74* | *2.55* | *7.13* | *1256.62* |
| Europe Ex-Eurobloc | 1216.20 | −0.59 | −7.24 | 2.39 | 5.10 | 1265.06 |
| Europe Ex-UK | 1252.51 | −0.79 | −9.91 | 1.98 | 0.91 | 1276.88 |
| **FTSE Eurotop Industry Sectors** | | | | | | |
| RESOURCES | 912.27 | −1.02 | −9.42 | 3.18 | 3.69 | 958.06 |
| Mining | 897.11 | +0.79 | +7.05 | 4.04 | 21.37 | 938.59 |
| Oil & Gas | 878.56 | −1.10 | −9.75 | 3.15 | 2.82 | 902.93 |
| BASIC INDUSTRIES | 1072.01 | +0.05 | +0.49 | 2.77 | 2.55 | 1097.47 |
| Chemicals | 810.17 | +0.07 | +0.59 | 2.77 | 2.47 | 826.99 |
| Construction & Bld Matls | 1028.74 | +0.07 | +0.73 | 2.25 | 1.13 | 1038.94 |
| Forestry & Paper | 910.38 | −0.27 | −2.49 | 4.24 | 0.00 | 952.00 |
| GENERAL INDUSTRIALS | 1106.94 | −0.73 | −8.11 | 2.29 | 3.28 | 1133.84 |
| Aerospace & Defence | 809.32 | −1.17 | −9.56 | 2.14 | 2.89 | 823.39 |
| Diversified Industrials | 949.04 | −0.40 | −3.81 | 2.15 | 0.00 | 970.74 |
| Electronic & Elect Equip | 996.68 | −0.72 | −7.21 | 1.93 | 5.15 | 1007.30 |
| Engineering & Machinery | 1013.98 | −1.11 | −11.37 | 2.95 | 4.16 | 1032.26 |
| CYCLICAL CONS GOODS | 1247.63 | −0.98 | −12.38 | 2.28 | 0.00 | 1281.96 |
| Automobiles | 919.73 | −1.02 | −9.51 | 2.29 | 0.00 | 928.26 |
| Household Goods & Texts | 1266.32 | −0.76 | −9.69 | 2.25 | 0.00 | 1277.13 |
| NON-CYC CONS GOODS | 1234.34 | −0.27 | −3.32 | 1.49 | 2.55 | 1270.94 |
| Beverages | 972.01 | +0.43 | +4.14 | 2.83 | 0.00 | 992.99 |
| Food Producers & Process | 927.35 | −0.71 | −6.65 | 1.72 | 1.41 | 939.67 |
| Health | 932.07 | +3.48 | +31.34 | 1.25 | 0.00 | 946.02 |
| Packaging | 766.98 | +0.29 | +2.22 | 1.18 | 0.00 | 767.94 |
| Personal Care & Hse Prods | 1093.20 | −0.68 | −7.48 | 0.89 | 0.00 | 1102.53 |
| Pharmaceuticals | 1127.32 | −0.18 | −2.03 | 1.17 | 3.25 | 1136.73 |
| Tobacco | 1423.72 | −0.55 | −7.90 | 3.48 | 1.42 | 1452.24 |
| CYCLICAL SERVICES | 1330.00 | −0.60 | −7.98 | 2.28 | 1.74 | 1370.78 |
| Distributors | 668.40 | −0.50 | −3.33 | 4.41 | 0.00 | 675.91 |
| General Retailers | 1094.97 | −0.97 | −10.76 | 2.92 | 1.27 | 1118.91 |
| Leisure Entertmt & Hotels | 968.89 | −1.51 | −14.82 | 2.06 | 6.02 | 987.00 |
| Media & Photography | 1248.11 | −0.11 | −1.39 | 1.85 | 1.20 | 1262.68 |
| *Rests, Pubs & Breweries* | *872.36* | *+0.15* | *+1.31* | *3.27* | *3.71* | *901.86* |
| Support Services | 1068.50 | −1.34 | −14.49 | 1.11 | 1.10 | 1080.92 |
| Transport | 987.30 | +0.18 | +1.75 | 2.62 | 1.81 | 986.98 |
| NON-CYCLICAL SERVS | 1378.48 | −1.29 | −18.09 | 1.38 | 0.48 | 1420.37 |
| Food & Drug Retailers | 1014.63 | −0.82 | −8.37 | 2.07 | 0.51 | 1030.62 |
| Telecommunications Servs | 1379.51 | −1.39 | −19.49 | 1.25 | 0.43 | 1400.53 |
| UTILITIES | 1421.92 | −1.35 | −19.42 | 3.11 | 5.17 | 1513.31 |
| Electricity | 1075.18 | −1.45 | −15.76 | 3.25 | 4.44 | 1113.99 |
| Gas Distribution | 1183.22 | −1.53 | −18.38 | 1.64 | 1.00 | 1303.83 |
| Water | 952.63 | −0.30 | −2.88 | 5.28 | 5.94 | 1003.66 |
| FINANCIALS | 1298.26 | −0.65 | −8.49 | 2.57 | 5.26 | 1340.21 |
| Banks | 921.21 | −0.59 | −5.43 | 3.28 | 5.82 | 940.34 |
| Insurance | 967.68 | −0.66 | −6.41 | 1.42 | 0.97 | 980.33 |
| Life Assurance | 1151.26 | −0.73 | −8.44 | 1.72 | 0.98 | 1167.18 |
| Investment Companies | 970.35 | −2.08 | −20.59 | 1.83 | 0.00 | 993.63 |
| Real Estate | 753.02 | +0.20 | +1.49 | 3.29 | 1.67 | 774.43 |
| Speciality & Other Fin | 923.10 | +0.56 | +5.17 | 2.43 | 0.00 | 938.51 |
| INFORMATION TECH | 955.30 | −0.53 | −5.05 | 0.65 | 0.04 | 957.62 |
| Information Tech Hardware | 1028.02 | −0.52 | −5.38 | 0.70 | 0.00 | 1031.47 |
| Software & Computer Serv | 785.93 | −0.54 | −4.27 | 0.48 | 0.15 | 787.94 |

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## CURRENCIES & MONEY

### EURO SPOT FORWARD AGAINST THE EURO

[illegible]

## BONDS

### INTEREST RATE SWAPS

[illegible]

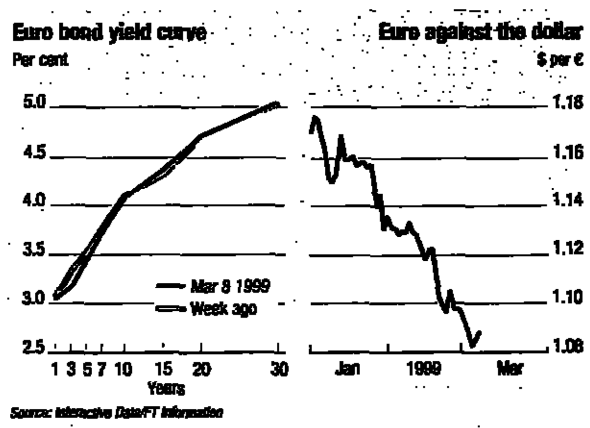
Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Brokers Ltd.

### EURO-ZONE BONDS

[illegible]

Standard & Poor's ratings. Source: Interactive Data/FT Information.

Euro bond yield curve / Euro against the dollar




Source: Interactive Data/FT Information

## FTSE EUROTOP 300

[illegible]

Prices and data are market capitalisation supplied by FTSE International.

# INTERNATIONAL CAPITAL MARKETS

# ADB boosts Singapore's bond hopes

By Edward Luce in Singapore

Singapore's ambitions to become a leading bond market for Asian borrowers were boosted yesterday when the Asian Development Bank said it planned a Singapore dollar bond issue.

The city state, which last week unveiled a series of tax incentives to stimulate the Singapore dollar bond market, has attracted several international borrowers to its domestic market in the last six months, including International Finance Corporation, the private-sector arm of the World Bank, and Nordic Investment Bank.

Some foreign analysts say there are still obstacles to the development of a genuinely international market due to certain rules for overseas borrowers.

"International borrowers are required to swap the proceeds of Singapore dollar bonds into a foreign currency to neutralise any effects on the Singapore dollar," said one.

But Singapore's efforts to become a regional bond centre have made headway. A number of foreign banks, such as Citibank and ABN Amro, which recently chose Singapore as its regional headquarters, have boosted their capital markets teams to take advantage of growth in the domestic bond sector.

Citibank recently led a domestic bond issue by Jurong Town Corporation, a government-owned industrial venture. Other state entities, including the Housing Development Board, which dominates the local property market, have tapped the market.

"The Singapore government is doing what it takes to create a genuine domestic bond market," said Sunil Sreenivasan, chief executive of Citibank in Singapore. "It is building a domestic government yield curve, stimulating a secondary debt market and offering incentives for foreign participation."

Officials say the aim is for Singapore to be the "London of Asia", acting as the first port of call for Asian borrowers to issue bonds in any currency, including euros and US dollars.

The city state's large pool of domestic savings, mostly managed by the Central Provident Fund, which collects compulsory annual contributions from employees and employers, is seen as the bedrock of a potential investor base. Singapore has recently encouraged individuals to out-source management of their CPF savings to foreign asset managers through unit trusts.

However, progress towards becoming a genuinely international bond market is expected to be slow. "At the moment the government is tapping the bond markets for debt it doesn't need and effectively buying [the bonds] up again through the CPF," said an analyst. "It all seems a bit artificial."

Also, few Asian borrowers need to raise foreign capital at the moment. And if they did they would be far more likely to tap the international markets.

"For now, Singapore will probably be limited to multilateral banks that want to exploit favourable arbitrage opportunities in the swaps market," said the analyst.

# US Treasuries push higher

BENCHMARK BONDS

By Arkady Ostrovsky in London and John Labate in New York

Government bond markets ended mixed, with US Treasuries pushing higher as fears of the Fed raising interest rates started to recede. European markets remained depressed by the seeming lack of co-ordination at the European Central Bank.

In emerging markets, Ecuador's dollar-denominated Brady bonds plunged eight percentage points as fears mounted over the government's ability to service its external debt. Brazilian Brady bonds, however, pushed higher in anticipation of a revised deal with the IMF on the release of a $9bn tranche of a $41.5bn financing package.

US Treasuries continued higher, as sentiment based on last Friday's bullish employment report attracted more buyers to the market.

By early afternoon the 30-year bond, the benchmark for long-term interest rates, had gained ⅝ to 95¼, yielding 5.591 per cent. Among shorter-term issues 10-year notes were up ⅞ to 95⅝, yielding 5.295 per cent and two-year notes up ⅛ to 99⅝, yielding 5.117 per cent.

February's employment data sent a wave of relief through the Treasury market, convincing many that inflation was so well contained that the Federal Reserve would not raise rates in the near team.

Traders now await a further batch of economic reports due this week, including a trade report on Tuesday, retail sales on Thursday and producer prices on Friday.

Phyllis Reed at Barclays Capital said the market, having priced in a tightening by the Fed, was now looking for any excuse to push yields lower.

Continental European bonds fell as ECB officials continued to insist there was no need to cut interest rates. Sally Wilkinson at Daiwa Europe said increasing pressure on the ECB from Oskar Lafontaine, Germany's finance minister, to cut interest rates in the euro-zone was counter-productive.

Analysts interpreted the ECB's reluctance to cut interest rates as an attempt to demonstrate its political independence. The 10-year German bund future fell 0.08 to 114.68.

In the UK, meanwhile, the June 10-year gilt future ended 0.23 lower at 116.37.

# Mittelstand company in euro deal

NEW ISSUES

By Khozem Merchant

Claas is the classic German mittelstand company, whose debut on the capital market yesterday is typical of a trend heralded by bankers as a result of the euro. Small but significant, was how bankers described Claas's seven-year €100m issue on a day of sparse new issuance.

In a recent report, Merrill Lynch said there are at least 600 mittelstand, the thousands of small and medium-sized companies, many of them family-owned, that form the backbone of the German economy, that may issue corporate debt.

They have steered clear of the capital markets in favour of traditional lenders such as banks but Merrill forecast total issuance exceeding $100bn a year just to roll over maturing debt in the next few years.

The privately-owned Claas is the leading maker of tractors in Europe. It was founded in 1913 and is still owned by the founding family.

It usually funds itself in the loan markets, typically paying an all-in cost of Libor plus 30 basis points for a sum similar to that raised yesterday. This compares with an equivalent of about Libor plus 50 basis points for an investor buying yesterday's bond.

The decision to tap the capital market illustrates the "disintermediation" of traditional bank lenders that has taken place since the euro was unveiled.

"This issue was primarily designed to diversify the company's funding sources and tap investors outside Germany," said Dresdner Kleinwort Benson, bookrunner for the issue. Some 60 per cent was sold outside the home market.

The World Bank added to its 2002 drachma bond for the second time, making the issue, at Dr65bn, the largest drachma-denominated bond. It was originally launched at Dr40bn in January.

The increase reflects the continuing "convergence play" underlying demand for drachma bonds. Investors believe Greece will join the euro-zone. The political momentum has forced a convergence of drachma yields towards euro yields, and is fuelling appetite among investors for drachma paper.

In the past two weeks yield spreads between drachma bonds and other euro-zone sovereign issues have widened because of the uncertainty provoked by the arrest of Kurdish leader Abdullah Ocalan. Yesterday, the spread tightened ahead of an auction today of 10-year government bonds.

Bankers said the add-on ensures this segment of the market is now well-supplied.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Walt Disney Co♦ | [illegible] | 5.00# | 100.00 | Mar 2003 | 1.29 | - | Merrill Lynch |
| **EUROS** | | | | | | | |
| DSB Finance Ireland(l) | 300 | 4.75 | 99.805R | Mar 2009 | 0.55R | +63 | CDC Marchés |
| Claas KGaA(e) | 100 | 4.50 | 99.471R | Mar 2006 | 0.45R | +71 | Dresdner KB |
| Oest Investitionskredit(a) | 100 | 8.05 | 102.15 | Apr 2004 | 2.00 | - | Generale Bank |
| **YEN** | | | | | | | |
| Council of Europe♦ | 10bn | 5.00# | 99.98 | Apr 2000 | 1.60 | - | Nomura International |
| **GREEK DRACHMA** | | | | | | | |
| World Bank(c) | 15bn | 6.25 | 99.8925R | Feb 2002 | 0.1875R | - | Alpha Credit/DGTD |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ♦Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. [illegible] Spread relates to German govt bonds. [illegible] Spread re French govt bonds. [illegible]

## NEWS DIGEST

DERIVATIVES

### Nymex to use specialist marketmaker system

The New York Mercantile Exchange, the main forum for trading energy and metal-based futures in the US, is moving towards a specialist marketmaker system to help support some of its newer contracts.

The exchange said it had selected AIG International, part of the trading arm of the American International Group insurance company, as specialist market-maker for its planned aluminium contract, due to be launched on April 16. It also said it was close to setting up a similar arrangement for its Cinergy Eastern electricity futures contract, which started trading in July last year, and might consider this type of arrangement for the forthcoming coal futures contract, which is due to be launched later in 1999.

Specialist marketmaker systems exist in some US derivatives markets, but this is the first time Nymex has taken this approach. Under the arrangement, the marketmaker must facilitate any trade within a certain bid/offer spread and accept any limit orders it is requested to execute. In return, its proprietary account gets execution priority on a certain share of the trades done in the market, and the marketmaker is also paid a fee by Nymex for every outside order it executes.

Once the contract is established, and volumes reach a specified level, the support role of the marketmakers is scaled back. In the case of the new aluminium contract, AIG will provide a continuous quoted market for at least 50 contracts, with a bid/offer spread of 15 points in the nearby futures month of trading, provided market conditions are "normal". Nikki Tait, Chicago

### CME mulls Libor Euroyen

The Chicago Mercantile Exchange is looking to add a Euroyen futures contract, based around the London interbank offered rate (Libor), complementing a similar Euroyen Libor contract traded on the Singapore International Monetary Exchange.

The two exchanges have a long-standing "mutual offset" arrangement, one of the few alliances that have worked successfully in the futures industry. Under this, positions in certain contracts are fungible between the two exchanges.

The CME already trades a Euroyen contract pegged to the Tokyo interbank offered rate, which mirrors a Euroyen contract launched by Simex in 1989, with daily volume averaging around 37,000 contracts on the two exchanges combined last year.

However, the CME said financial customers had expressed growing interest in a contract pegged to Libor, in addition to the one based on rates determined in Tokyo. The new contract will have quarterly expirations and be sized at Y100m. The minimum price fluctuation will be Y1,250 for the front four contracts and Y2,500 for other expirations. The CME said that the new contract had been submitted for approval to the Commodity Futures Trading Commission, and that it hoped to list it "within weeks". Nikki Tait

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| Mar 8 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia to Sweden | [illegible] | | | | | | | |
| Switzerland | 06/00 | 4.500 | 103.7500 | 1.41 | -0.02 | +0.03 | -0.03 | -0.10 |
| | 01/08 | 4.250 | 116.0500 | 2.22 | - | -0.07 | -0.11 | -0.85 |
| UK | 11/01 | 7.000 | 105.0400 | 4.95 | +0.01 | -0.01 | +0.36 | -1.75 |
| | 12/03 | 6.500 | 107.4500 | 4.73 | +0.02 | -0.01 | +0.46 | -1.41 |
| | 12/09 | 5.750 | 109.7300 | 4.59 | +0.03 | -0.02 | +0.30 | -1.45 |
| | 12/28 | 6.000 | 123.1500 | 4.57 | +0.02 | +0.03 | +0.28 | -1.43 |
| US | 01/01 | 4.500 | 98.9088 | 5.11 | -0.05 | -0.10 | +0.25 | -0.49 |
| | 02/04 | 4.750 | 98.1230 | 5.19 | -0.07 | -0.12 | +0.28 | -0.58 |
| | 11/08 | 4.750 | 96.1151 | 5.27 | -0.06 | -0.12 | +0.23 | -0.52 |
| | 02/29 | 5.250 | 95.3184 | 5.57 | -0.04 | -0.10 | +0.15 | -0.48 |

London closing * New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

### 10 YEAR BENCHMARK SPREADS

| Mar 8 | Bid Yield | Spread vs Euros | Spread vs T-Bonds |
|---|---|---|---|
| Australia | 5.65 | +1.57 | +0.38 |
| Austria | 4.35 | +0.27 | -0.92 |
| Belgium | 4.29 | +0.21 | -0.98 |
| Canada | 5.33 | +1.25 | +0.06 |
| Denmark | 4.40 | +0.32 | -0.87 |
| Finland | 4.30 | +0.22 | -0.97 |
| France | 4.15 | +0.07 | -1.12 |
| Germany | 4.08 | - | -1.19 |
| Greece | 6.14 | +2.06 | +0.87 |
| Ireland | 4.30 | +0.22 | -0.97 |
| Italy | 4.29 | +0.21 | -0.98 |
| Japan | 1.69 | -2.39 | -3.56 |
| Netherlands | 4.23 | +0.15 | -1.04 |
| New Zealand | 5.93 | +1.85 | +0.66 |
| Norway | 4.99 | +0.91 | -0.28 |
| Portugal | 4.33 | +0.25 | -0.94 |
| Spain | 4.38 | +0.30 | -0.89 |
| Sweden | 4.45 | +0.37 | -0.82 |
| Switzerland | 2.40 | -1.68 | -2.87 |
| UK | 4.66 | +0.58 | -0.61 |
| US | 5.27 | +1.19 | - |

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

### EMERGING MARKET BONDS

| Mar 8 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd vs US |
|---|---|---|---|---|---|---|---|---|
| **EUROPE** | | | | | | | | |
| Croatia | 02/02 | 7.000 | BBB- | 95.2341 | 8.85 | -0.19 | -0.51 | +3.75 |
| Poland | 07/04 | 7.125 | BBB- | 105.0795 | 5.97 | -0.02 | +0.02 | +0.79 |
| Russia | 06/07 | 10.000 | n/a | 22.9200 | 48.03 | -0.49 | +7.43 | +42.80 |
| **LATIN AMERICA** | | | | | | | | |
| Argentina | 09/27 | 9.750 | BB | 81.9000 | 11.99 | +0.01 | +0.27 | +6.45 |
| Brazil | 05/27 | 10.125 | B+ | 64.7500 | 15.75 | -0.30 | -0.19 | +10.21 |
| Mexico | 05/26 | 11.500 | BB | 106.0568 | 10.80 | -0.01 | -0.17 | +5.27 |
| **ASIA** | | | | | | | | |
| China | 07/06 | 7.750 | BBB+ | 99.8160 | 7.77 | -0.04 | +0.11 | +2.55 |
| Philippines | 10/16 | 8.750 | BB+ | 91.6559 | 9.75 | -0.05 | +0.25 | +4.37 |
| Thailand | 04/07 | 7.750 | BBB- | 99.3388 | 7.86 | -0.10 | -0.08 | +2.63 |
| **AFRICA/MIDDLE EAST** | | | | | | | | |
| Lebanon | 07/00 | 9.125 | BB- | 103.2776 | 6.51 | -0.19 | +0.49 | +1.46 |
| South Africa | 10/06 | 8.375 | BB+ | 98.5803 | 8.63 | -0.21 | -0.63 | +3.41 |
| Turkey | 09/07 | 10.000 | B | 90.5620 | 11.79 | +0.09 | -0.31 | +6.56 |
| **BRADY BONDS** | | | | | | | | |
| Argentina | 03/23 | 5.750 | BB | 68.5000 | 9.30 | +0.02 | +0.15 | +3.82 |
| Brazil | 04/14 | 5.000 | B+ | 58.3750 | 14.32 | -0.18 | -0.55 | +8.97 |
| Mexico | 12/19 | 6.250 | BB | 76.1250 | 8.76 | +0.01 | +0.02 | +3.34 |
| Venezuela | 03/20 | 6.750 | B+ | 64.1250 | 11.22 | -0.03 | -0.02 | +5.79 |

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

### BOND FUTURES AND OPTIONS

#### France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 109.10 | 110.53 | +1.43 | 110.53 | 109.07 | 29,810 | 76,958 |

LONG TERM EURO BOND OPTIONS (MATIF)

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 97 | 0.02 | - | 0.18 | 3.38 | - | 3.53 |
| 98 | - | - | 0.09 | 4.37 | - | 4.43 |
| 99 | - | - | 0.04 | 5.37 | - | 5.37 |
| 100 | - | - | 0.02 | 5.87 | - | 6.37 |

Est. vol. total, Calls 1,054 Puts 0 Previous day's open int., Calls 1,278 Puts 1,755

#### Germany

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 114.52 | 114.68 | -0.09 | 114.87 | 114.30 | 33,078 | 314,828 |

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 108.57 | 108.57 | -0.11 | 108.68 | 108.44 | 11,109 | 130,947 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 101.19 | -0.13 | - | - | 0 | 947 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 100.68 | 100.61 | -0.25 | 100.68 | 100.67 | 100 | 645 |

Also traded on APT. All Open interest figs. are for previous day

#### Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 112.63 | 112.45 | -0.47 | 112.73 | 112.37 | 6904 | 36550 |

#### Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 115.85 | 115.54 | -0.38 | 115.95 | 115.52 | 13,404 | 38,458 |
| Jun | 97.09 | 97.31 | -0.63 | 97.09 | 97.09 | 1 | 8 |

#### UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 106.04 | -0.08 | - | - | 0 | 63 |
| Jun | - | 107.74 | -0.08 | - | - | 0 | 0 |

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 115.90 | 115.74 | -0.16 | 116.00 | 115.73 | 786 | 9218 |
| Jun | 116.55 | 116.37 | -0.23 | 116.75 | 116.25 | 20442 | 74385 |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

| Strike Price | CALLS Jun | CALLS Sep | PUTS Jun | PUTS Sep |
|---|---|---|---|---|
| 11550 | 2.08 | 2.68 | 1.21 | 1.81 |
| 11600 | 1.77 | 2.41 | 1.40 | 2.04 |
| 11650 | 1.50 | 2.16 | 1.63 | 2.29 |
| 11700 | 1.27 | 1.93 | 1.90 | 2.58 |
| 11750 | 1.07 | 1.71 | 2.20 | 2.84 |
| 11800 | 0.90 | 1.52 | 2.53 | 3.15 |

Est. vol. total, Calls 225 Puts 5. Previous day's open int., Calls 8332 Puts 7782

#### US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 120-26 | 121-03 | +0-11 | 121-08 | 120-25 | 39,284 | 141,129 |
| Jun | 130-10 | 130-19 | +0-11 | 120-25 | 120-07 | 679,346 | 559,387 |
| Sep | 120-04 | 120-05 | +0-11 | 120-09 | 120-04 | 6,892 | 11,056 |

#### Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 133.37 | 133.41 | - | 133.49 | 133.37 | 1431 | n/a |
| Jun | 132.10 | 132.12 | - | 132.20 | 132.10 | 1613 | n/a |

#### Euro

€ BOND FUTURES (MATIF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 105.40 | 107.58 | +2.51 | 107.80 | 105.40 | 2 | 161 |



### US CORPORATE BONDS

| Mar 5 | Red date | Coupon | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| **UTILITIES** | | | | | | | | |
| Pac Bell | 07/02 | 7.25 | AA- | 104.2332 | 5.82 | -0.06 | +0.49 | +5.82 |
| NY Tel | 08/25 | 7.00 | A+ | 97.9062 | 7.16 | -0.06 | +0.36 | +1.57 |
| CWE | 06/08 | 8.00 | BBB | 111.5734 | 6.34 | -0.09 | +0.45 | +1.02 |
| **FINANCIALS** | | | | | | | | |
| GECC | 05/07 | 8.75 | AAA | 116.9669 | 6.03 | -0.13 | +0.40 | +0.76 |
| Banc One | 06/02 | 7.25 | A | 103.8334 | 5.95 | -0.10 | +0.20 | +5.96 |
| CNA Fin | 01/18 | 6.95 | A- | 92.5503 | 7.63 | -0.12 | +0.40 | +2.08 |
| **INDUSTRIALS** | | | | | | | | |
| WMX Tech | 04/09 | 6.25 | BBB+ | 100.0212 | 6.22 | -0.08 | +0.22 | +1.13 |
| Wal Mart | 05/02 | 8.57 | AA | 103.2661 | 5.57 | -0.09 | +0.51 | +5.57 |
| Dayton Hud | 06/21 | 9.70 | A- | 131.0951 | 6.93 | -0.10 | +0.30 | +1.32 |
| **AGENCIES** | | | | | | | | |
| FHLMC | 04/07 | 7.14 | N/A | 108.1504 | 5.85 | -0.10 | +0.43 | +0.53 |
| SLMA | 03/00 | 7.50 | N/A | 102.1381 | 5.27 | -0.01 | +0.18 | +0.68 |
| FNMA | 02/18 | 8.95 | N/A | 130.5425 | 6.18 | -0.07 | +0.38 | +0.57 |
| FFCB | 06/06 | 8.95 | N/A | 118.1651 | 5.83 | -0.09 | +0.44 | +0.51 |
| **HIGH YIELD** | | | | | | | | |
| Stone Cont | 02/01 | 9.88 | B | 101.7500 | 0.00 | - | - | - |
| AK Stl | 12/01 | 9.13 | BB- | 104.2500 | 0.00 | - | - | - |
| Pacalta | 06/04 | 10.75 | B- | 84.0000 | 0.00 | - | - | - |

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

### US INTEREST RATES

Latest

| | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| Prime rate | 7¾ | One month | - | Two year | 5.12 |
| Broker loan rate | 6½ | Two month | - | Three year | 5.13 |
| Fed.funds | 4½ | Three month | 4.63 | Five year | 5.20 |
| Fed.funds at intervention | - | Six month | 4.71 | 10-year | 5.29 |
| | | One year | 4.80 | 30-year | 5.57 |

### INTERNATIONAL BONDS

| Mar 8 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| **$** | | | | | | | | |
| EIB | 04/07 | 7.250 | AAA | 107.9609 | 5.98 | -0.02 | +0.43 | +0.75 |
| ABN Amro | 06/07 | 7.125 | AA- | 104.3087 | 6.43 | -0.01 | +0.21 | +1.20 |
| Quebec | 01/07 | 7.000 | A+ | 105.5591 | 6.10 | -0.01 | +0.17 | +0.87 |
| Citicorp FRN | 02/04 | 5.086 | AA- | 98.6828 | 5.37 | -0.01 | -0.26 | +0.19 |
| **C$** | | | | | | | | |
| Bayer L-Bk | 08/04 | 9.500 | AAA | 116.7303 | 5.80 | +0.01 | +0.31 | +0.20 |
| Toronto (M of) | 05/04 | 8.500 | AA+ | 111.9952 | 5.76 | +0.04 | +0.35 | +0.16 |
| Bell Canada | 07/99 | 10.625 | A+ | 101.5553 | 5.63 | -0.02 | +0.31 | +1.25 |
| Deutsche B FRN | 09/02 | 5.875 | AA+ | 100.1708 | 5.82 | -0.03 | +0.26 | +0.30 |
| **£** | | | | | | | | |
| EIB | 12/07 | 7.625 | AAA | 115.9706 | 5.29 | +0.03 | +0.37 | +0.49 |
| Dresdner Bk | 12/07 | 7.750 | AA- | 110.6702 | 6.13 | +0.06 | +0.33 | +1.33 |
| British Gas | 03/00 | 7.625 | A+ | 101.9500 | 5.65 | -0.04 | -0.03 | +0.66 |
| Abbey Nat FRN | 02/02 | 5.587 | AA | 100.0205 | 4.48 | - | +0.24 | -0.36 |
| **SFR** | | | | | | | | |
| EIB | 01/08 | 3.750 | AAA | 104.1937 | 3.20 | - | -0.10 | +0.96 |
| Brit Columbia | 02/02 | 3.250 | AA | 103.7438 | 1.93 | -0.01 | - | +0.28 |
| Hydro-Quebec | 05/01 | 6.750 | n/a | 108.7925 | 2.57 | -0.01 | -0.01 | +1.04 |
| Gen Elect | 09/01 | 1.711 | n/a | 99.7875 | 1.52 | -0.01 | -0.01 | -0.01 |
| **YEN** | | | | | | | | |
| IBRD (World Bk) | 03/02 | 5.250 | AAA | 114.5024 | 0.42 | +0.05 | -0.47 | -0.03 |
| Spain (Kingdom) | 03/02 | 5.750 | AA | 115.8649 | 0.47 | +0.05 | -0.49 | +0.02 |
| Cred Foncier | 08/02 | 4.750 | A | 112.7280 | 0.94 | +0.05 | -0.56 | +0.49 |
| Italy (Rep of) | 07/99 | 0.516 | AA | 100.0610 | 0.19 | +0.01 | -0.16 | - |
| **A$** | | | | | | | | |
| IBRD (World Bk) | 02/08 | 6.000 | AAA | 100.8757 | 5.87 | -0.11 | +0.22 | +0.24 |
| New Sth Wales Tr | 05/06 | 6.500 | n/a | 103.5426 | 5.88 | -0.12 | +0.21 | +0.36 |
| S. Aus Gov Fin | 08/03 | 7.750 | AA | 106.9023 | 5.88 | -0.10 | +0.17 | +0.58 |
| GMAC Aust | 05/01 | 9.000 | n/a | 106.5288 | 5.73 | -0.10 | +0.12 | +0.63 |

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

## UK BONDS

### FTSE Actuaries Government Securities

| Price Indices UK Gilts | Mon Mar 8 | Day's chge % | Accrued interest | xd adj ytd | Total Return | Duration Years | Duration Yield | % Weight |
|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (16) | 120.92 | +0.01 | 1.93 | 1.79 | 1201.84 | 2.32 | 4.88 | 34.28 |
| 2 5-10 years (11) | 169.51 | -0.12 | 2.86 | 1.06 | 1321.50 | 5.88 | 4.77 | 29.35 |
| 3 10-15 years (7) | 183.26 | -0.17 | 2.50 | 1.34 | 1435.59 | 8.56 | 4.72 | 13.48 |
| 4 5-15 years (18) | 173.50 | -0.13 | 2.75 | 1.14 | 1354.14 | 6.75 | 4.75 | 42.83 |
| 5 Over 15 years (4) | 227.43 | -0.20 | 2.54 | 1.23 | 1554.40 | 11.86 | 4.69 | 22.14 |
| 6 Irredeemables (4) | 313.62 | -0.39 | 3.85 | 1.07 | 1826.00 | 20.99 | 4.82 | 0.76 |
| 7 All stocks (42) | 164.50 | -0.10 | 2.46 | 1.50 | 1342.26 | 6.46 | 4.74 | 100.00 |

#### UK Indices

| Index-linked | Mon Mar 8 | Day's chge % | Accrued interest | xd adj ytd | Total Return | % Weight |
|---|---|---|---|---|---|---|
| 1 Up to 5 years (2) | 224.82 | +0.02 | 2.11 | 0.00 | 1167.51 | 15.00 |
| 2 Over 5 years (9) | 257.90 | +0.02 | 1.08 | 2.15 | 1400.96 | 85.00 |
| 3 5-15 years (5) | 240.68 | +0.01 | 0.86 | 2.03 | 1302.94 | 42.71 |
| 4 Over 15 years (4) | 273.83 | +0.03 | 1.32 | 2.29 | 1491.82 | 42.29 |
| 5 All stocks (11) | 251.78 | +0.02 | 1.25 | 1.79 | 1367.91 | 100.00 |

| Yield indices | Mar 8 | Mar 5 | Yr ago | Yield indices | Mar 8 | Mar 5 | Yr ago |
|---|---|---|---|---|---|---|---|
| 5 yrs | 4.81 | 4.79 | 6.26 | Irred † | 4.82 | 4.80 | 6.15 |
| 10 yrs | 4.73 | 4.70 | 6.08 | Med. 15 yrs | 4.72 | 4.70 | 6.05 |
| 15 yrs | 4.71 | 4.69 | 6.04 | High 15 yrs | 4.82 | 4.80 | 6.15 |
| 20 yrs | 4.71 | 4.69 | 6.03 | | | | |

Coupon Bands: Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date

| Real yield | Inflation 0% Mar 8 | Dur yrs | Mar 5 | Yr ago | Inflation 5% Mar 8 | Dur yrs | Mar 5 | Yr ago |
|---|---|---|---|---|---|---|---|---|
| Up to 5 yrs | 3.16 | 3.29 | 3.16 | 3.55 | 2.36 | 3.30 | 2.35 | 2.76 |
| Over 5 yrs | 2.08 | 13.30 | 2.08 | 3.18 | 1.88 | 13.40 | 1.88 | 2.97 |
| 5-15 yrs | 2.14 | 9.69 | 2.14 | 3.24 | 1.87 | 9.73 | 1.87 | 2.93 |
| Over 15 yrs | 2.04 | 17.01 | 2.04 | 3.16 | 1.88 | 17.10 | 1.88 | 2.99 |
| All Stocks | 2.12 | 11.73 | 2.12 | 3.19 | 1.90 | 11.85 | 1.90 | 2.97 |

FT Fixed Interest Indices

| | Mar 8 | Mar 5 | Mar 4 | Mar 3 | Mar 2 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 113.03 | 113.18 | 112.01 | 112.25 | 112.97 | 103.85 | 117.17 | 93.31 |
| Fixed Interest | 153.85 | 154.27 | 153.27 | 153.76 | 154.31 | 139.7 | 158.45 | 115.32 |

 * for 1998/99. Government Securities high since compilation: 127.40 (1/1/35), low 49.18 (1/3/75). Fixed Interest high since compilation: 158.45 (22/01/99), low 50.33 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

## UK GILTS PRICES

| | Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| **Shorts" (Lives up to Five Years)** | | | | | | | |
| Treas Flg Rate 1999 | | - | - | 100.0000xd | — | 100.23 | 100.00 |
| Exch 12¼pc 1999 | | 12.21 | 5.45 | 100.3173 | -.0253 | 105.19 | 100.32 |
| Treas 10½pc 1999 | | 10.39 | 5.21 | 101.0186 | -.0221 | 104.08 | 101.02 |
| Treas 6pc 1999 | | 5.97 | 4.94 | 100.4355 | -.0037 | 100.50 | 98.64 |
| Conv 10¼pc 1999 | | 9.89 | 4.98 | 103.5908 | -.0169 | 105.52 | 103.57 |
| [illegible] | | | | | | | |
| Exch 10½pc 2005 | ♣ | 7.89 | 4.77 | 131.4353 | -.1270 | 135.46 | 124.50 |
| Treas 12½pc 2003-5 | | 9.49 | 4.32 | 131.7738 | -.0105 | 135.55 | 127.40 |
| Treas 8½pc 2005 | | 7.01 | 4.77 | 121.2686 | -.1194 | 125.31 | 113.85 |
| Conv 9½pc 2005 | ♣ | 7.43 | 4.80 | 131.3000 | -.2251 | 136.21 | 123.98 |
| Treas 7¾pc 2006 | | 6.56 | 4.84 | 118.1415xd | -.1749 | 122.40 | 110.47 |
| Treas 8pc 2002-6 | | 7.39 | 4.99 | 109.6239 | -.0447 | 111.73 | 104.96 |
| Treas 7½pc 2006 | | 6.40 | 4.80 | 117.2522 | -.1940 | 121.62 | 109.33 |
| Treas 11¾pc 2003-7 | ♣ | 9.49 | 4.33 | 123.7608 | -.0237 | 128.29 | 119.81 |
| [illegible] | | | | | | | |

| Index-Linked | Notes | Yield (1) | Yield (2) | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| 2½pc '99 | ♣ | 1.75 | 3.24 | 195.4561 | +.0208 | 198.18 | 190.07 |
| 2½pc '01 | (78.3) | 2.61 | 3.04 | 202.6641 | +.0208 | 206.40 | 196.89 |
| 2½pc '03 | (78.8) | 2.23 | 2.48 | 204.3488 | +.0285 | 207.83 | 194.48 |
| 4⅝pc '04 | (135.6) | 1.93 | 2.14 | 132.5527 | +.0247 | 134.39 | 125.56 |
| 2pc '06 | (69.5) | 1.70 | 1.85 | 233.7801 | -.0864 | 236.05 | 209.33 |
| 2½pc '09 | (78.8) | 1.84 | 1.95 | 214.4917 | +.0456 | 216.83 | 190.18 |
| 2½pc '11 | (74.6) | 1.90 | 2.00 | 227.5161 | -.0089 | 230.17 | 199.08 |
| [illegible] | | | | | | | |

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

# Tietmeyer sparks euro profit taking

**MARKETS REPORT**

By Melanie Carroll
and Alan Beattie

The euro gained against the dollar yesterday *after Hans* Tietmeyer, president of the Bundesbank, said he did not *want to* see the euro continue its present slide.

Some analysts had assumed that as long as European Central Bank council members did not comment otherwise, they were not perturbed by the euro's current weakness. Mr Tietmeyer's comments gave the currency a rare boost, with traders looking to take profits on long dollar positions.

The euro gained nearly a cent yesterday from its nadir of $1.08, closing in London at $1.088.

It also climbed against the pound, and ground higher against the yen after slipping in Asian trading. At the London close the euro was trading at £0.677 and Y132.7.

But analysts said that the relief for the currency might *prove* short-lived.

Jane Foley, currency analyst at Barclays Capital in London, said the euro's gains were a natural response to recent lows, and in her view it would remain weak in the medium term.

"Last week the euro's fall was rapid, and I think this week's pull-back is a rational reaction," Ms Foley *said*.

She expected the euro-dollar rate to react to key German *unemployment data to* be released today, and to the US retail sales figures due *on Thursday*.

But some perspective was needed about the new currency's poor form.

"I don't think the pace of decline at the moment is significant. And I don't think the ECB is perturbed with the euro's downside yet, although if it moves sharply lower the ECB will probably move in to calm things down," she said.

■ The pound rose yesterday against the dollar as the US *currency slipped against the* euro.

Fears of a giveaway Budget at a time when the UK seemed to be in for a soft landing provided some fundamental reason to buy sterling, some analysts said.

But the foreign exchange dealers' colleagues in the short sterling market evidently did not share the view that interest rates were likely to rise as a result of the Budget, marking up prices at the front end of the strip.

The IMF report on the UK economy released on Sunday, which said rates might have to be cut further, may have pushed up short sterling prices.

Michael Metcalfe, strategist at NatWest GFM in London, said that the market in general expected a neutral Budget today.

"Most of the fiscal measures that have been proposed will probably net each other out," he said. "The 10p tax rate could be offset by the taxing of child benefit, for example."

Mr Metcalfe said that more interesting would be the forecast which accompanied the Budget statement.

"If the Chancellor revises down his growth forecast of 1-1¼ per cent and the inflation forecast is *similarly* adjusted, the market may see this as a message to the *MPC, and sterling could* fall," he said.

■ The infamous yen-carry trade which contributed to the extreme exchange rate volatility seen in 1998 was widespread from 1995 onwards, a report from the Bank of International Settlements suggested yesterday.

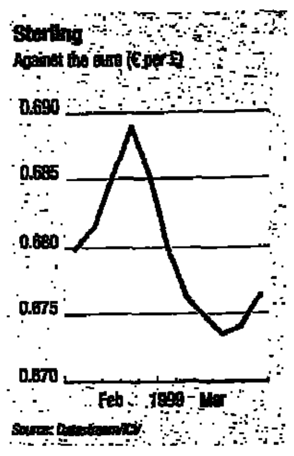
The BIS added that market commentary suggested that the carry trade had re-emerged in 1999 built around the Singaporean dollar, exploiting the low interest rates in the currency.

The Basle-based BIS, the *central banks' central bank*, said in its quarterly review that the impact of increased *risk aversion on the trade* and the subsequent closing out of short yen positions had created the massive appreciation in the yen in October 1998.

But the BIS added that the trade had been popular from 1995, when traders started to take advantage of low interest rates in Japan to borrow there and change it into higher-yielding currencies like the US dollar.

This was consistent with the BIS's own data on foreign exchange turnover. Yen transactions had grown twice as fast as dollar and D-Mark trades between 1995 and 1998, the BIS said.

**Sterling**
Against the euro (€ per £)




Source: Datastream/ICV

**■ POUND IN NEW YORK**

| Mar 8 | —Latest— | – Prev. close – |
|---|---|---|
| £ spot | 1.6085 | 1.6065 |
| 1 mth | 1.6078 | 1.6057 |
| 3 mth | 1.6070 | 1.6049 |
| 1 yr | 1.6095 | 1.6068 |

**■ OTHER CURRENCIES**

| Mar 8 | £ | $ |
|---|---|---|
| Czech Rp | 55.6533 - 55.7422 | 34.6210 - 34.6720 |
| Hungary | 370.416 - 370.945 | 230.430 - 230.730 |
| Iran | 4823.10 - 4822.50 | 3000.00 - 3000.00 |
| Kuwait | 0.4908 - 0.4910 | 0.3053 - 0.3054 |
| Peru | 5.4848 - 5.4903 | 3.4120 - 3.4150 |
| Poland | 6.2612 - 6.2700 | 3.8950 - 3.9000 |
| Russia | 37.4548 - 37.7810 | 23.3000 - 23.5000 |
| U.A.E. | 5.9037 - 5.9052 | 3.6726 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Mar 8 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 20.3272 | –0.0860 | 213 - 331 | 20.4196 | 20.2239 | 20.2843 | 2.5 | 20.2113 | 2.3 | 19.892 | 2.1 | 102.7 |
| Belgium* | (BFr) | 59.5915 | –0.2520 | 741 - 089 | 59.8630 | 59.2880 | 59.4655 | 2.5 | 59.2517 | 2.3 | 58.3153 | 2.1 | 102.3 |
| Denmark | (DKr) | 10.9809 | –0.0419 | 770 - 848 | 11.0277 | 10.9238 | 10.9608 | 2.2 | 10.9263 | 2.0 | 10.7879 | 1.8 | 105.6 |
| Finland* | (FM) | 8.7833 | –0.0371 | 807 - 858 | 8.8230 | 8.7390 | 8.7647 | 2.5 | 8.7332 | 2.3 | 8.5953 | 2.1 | 81.1 |
| France* | (FFr) | [illegible] | –0.0410 | 872 - 928 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Germany* | (DM) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Greece | (Dr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ireland* | (I£) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy* | (L) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Luxembourg* | (LFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands* | (Fl) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | (NKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal* | (Es) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain* | (Pta) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | (SKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | (SFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| UK | (£) | | | | | | | | | | | | [illegible] |
| Euro | (€) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| SDR† | | [illegible] | | | | | | | | | | | |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| Brazil | (R$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| Canada | (C$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mexico | (New Peso) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| USA | ($) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hong Kong | (HK$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| India | (Rs) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| Indonesia | (Rupiah) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| Israel | (Shk) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| Japan | (Y) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Malaysia | (M$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| New Zealand | (NZ$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Philippines | (Peso) | 62.5357 | –0.4822 | 906 - 807 | 62.7900 | 62.2900 | 62.9941 | –8.8 | 63.679 | –7.3 | 67.3228 | –7.7 | - |
| Saudi Arabia | (SR) | 6.0291 | –0.0078 | 283 - 298 | 6.0428 | 6.0062 | 6.0397 | –2.1 | 6.0573 | –1.9 | 6.1596 | –2.2 | - |
| Singapore | (S$) | 2.7788 | –0.0019 | 778 - 797 | 2.7829 | 2.7686 | 2.7708 | 3.4 | 2.7569 | 3.1 | 2.7172 | 2.2 | - |
| South Africa | (R) | 9.9676 | –0.0284 | 593 - 758 | 9.9800 | 9.9324 | 10.0535 | –10.3 | 10.1955 | –9.1 | 10.7721 | –8.1 | - |
| South Korea | (Won) | 1991.82 | –8.9600 | 928 - 436 | 1999.30 | 1987.28 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 53.2839 | –0.1404 | 404 - 274 | 53.4066 | 53.0959 | 53.4183 | –3.0 | 53.6412 | –2.7 | 54.3847 | –2.1 | - |
| Thailand | (Bt) | 59.7545 | –0.5591 | 704 - 386 | 60.2300 | 59.6700 | 59.9982 | –4.9 | 60.3705 | –4.1 | 62.0322 | –3.8 | - |

† Rates for Mar 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Mar 8 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 12.6444 | –0.0374 | 415 - 473 | 12.7398 | 12.5975 | 12.6239 | 1.9 | 12.5846 | 1.9 | 12.3682 | 2.2 | 102.3 |
| Belgium* | (BFr) | 37.0686 | –0.1094 | 601 - 771 | 37.3480 | 36.9310 | 37.0085 | 1.9 | 36.8934 | 1.9 | 36.259 | 2.2 | 102.3 |
| Denmark | (DKr) | 6.8306 | –0.0174 | 286 - 326 | 6.8802 | 6.8050 | 6.8214 | 1.6 | 6.8033 | 1.6 | 6.7076 | 1.8 | 104.7 |
| Finland* | (FM) | 5.4636 | –0.0161 | 623 - 648 | 5.5048 | 5.4433 | 5.4547 | 1.9 | 5.4378 | 1.9 | 5.3443 | 2.2 | 80.4 |
| France* | (FFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Germany* | (DM) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Greece | (Dr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ireland* | (I£) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy* | (L) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Luxembourg* | (LFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands* | (Fl) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | (NKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal* | (Es) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain* | (Pta) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | (SKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | (SFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| UK | (£) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Euro | (€) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| SDR† | | [illegible] | | | | | | | | | | | |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| Brazil | (R$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| Canada | (C$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mexico | (New Peso) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| USA | ($) | | | | | | | | | | | | [illegible] |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hong Kong | (HK$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| India | (Rs) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| Indonesia | (Rupiah) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | |
| Israel | (Shk) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| Japan | (Y) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Malaysia‡ | (M$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | | | | |
| New Zealand | (NZ$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Philippines | (Peso) | 38.9000 | –0.2500 | 500 - 500 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Saudi Arabia | (SR) | 3.7504 | –0.0001 | 501 - 506 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Singapore | (S$) | 1.7285 | +0.0010 | 280 - 290 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| South Africa | (R) | 6.2003 | –0.0097 | 955 - 050 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| South Korea | (Won) | 1239.00 | –2.7500 | 750 - 050 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Taiwan | (T$) | 33.1450 | –0.0450 | 200 - 700 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Thailand | (Bt) | 37.1700 | –0.3000 | 200 - 200 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

† SDR rate per $ for Mar 5. ‡ Official rate set by Malaysian government. The [illegible] Bid/offer spreads in the Dollar Spot table show only the last three decimal places. [illegible] 1990=100. Bid, offer, mid spot rates and forward rates in both this and the D[illegible] values are rounded by the F.T. * EMU member. The exchange rates printed in this [illegible]

## WORLD INTEREST RATES

### MONEY RATES

| Mar 8 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Euro-zone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 3.00 | 3.00 |
| Switzerland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 1.00 | - |
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 4.50 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| **■ $ LIBOR BBA London** | | | | | | | | |
| Interbank Fixing | - | 4⅞ | 5 | 5⅛ | 5¼ | - | - | - |
| US Dollar CDs | - | 4.71 | 4.80 | 4.87 | 5.11 | - | - | - |
| Euro Linked Ds | - | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | - | - |
| SDR Linked Ds | - | 3⅜ | 3¼ | 3⅜ | 3½ | - | - | - |
| BBA Euro Libor | - | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | - | - |
| Euro Euribor | - | 3.100 | 3.093 | 3.088 | 3.097 | - | - | - |
| EONIA | 3.03 | - | - | - | - | - | - | - |
| EURONIA | 3.0274 | - | - | - | - | - | - | - |

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

### INTERNATIONAL CURRENCY RATES

| Mar 8 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Euro | 3⅛ - 3 | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 2⅞ | 3⅛ - 3 |
| Danish Krone | [illegible] | 3½ - 3⅜ | 3½ - 3⅜ | 3⅜ - 3⅜ | 3⅜ - 3⅜ | 3⅜ - 3⅜ |
| Sterling | 5¾ - 5½ | 5⅝ - 5½ | 5⅝ - 5½ | 5⅝ - 5½ | 5⅜ - 5¼ | 5⅜ - 5¼ |
| Swiss Franc | 1⅛ - ⅞ | 1⅛ - 1⅛ | 1⅛ - 1⅛ | 1¼ - 1⅛ | 1⅛ - 1⅛ | 1⅛ - 1⅛ |
| Canadian Dollar | 5⅛ - 4⅞ | 5⅛ - 4⅞ | 5⅛ - 4⅞ | 5⅛ - 4⅞ | 5⅛ - 5 | 5⅛ - 5⅛ |
| US Dollar | 4⅞ - 4⅞ | 4⅞ - 4⅞ | 4⅞ - 4⅞ | 4⅞ - 4⅞ | 5⅛ - 4⅞ | 5¼ - 5⅛ |
| Japanese Yen | ⅛ - ⅛ | ⅛ - ⅛ | ⅛ - ⅛ | ⅛ - ⅛ | ⅛ - ⅛ | ½ - ⅜ |
| Asian $Sing | ¼ - ⅛ | 1½ - 1¼ | 2¼ - 2 | 2¼ - 2 | 2¼ - 2 | 2¾ - 2½ |

Short term rates are call for the US Dollar and Yen, others: two days' notice

**■ THREE MONTH EURIBOR FUTURES (MATIF) Paris interbank offered rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.92 | 96.92 | - | 96.92 | 96.90 | 7,456 | 38,777 |
| Jun | 96.98 | 97.04 | +0.07 | 97.06 | 96.96 | 9,786 | 27,289 |

**■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.910 | 96.920 | +0.005 | 96.935 | 96.910 | 18144 | 143402 |
| Jun | 97.040 | 97.065 | +0.020 | 97.070 | 97.040 | 39089 | 165698 |
| Sep | 97.045 | 97.075 | +0.030 | 97.075 | 97.045 | 22134 | 121677 |
| Dec | 96.795 | 96.820 | +0.025 | 96.830 | 96.790 | 6305 | 98517 |

**■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.915 | 96.920 | +0.005 | 96.920 | 96.915 | 619 | 118983 |
| Jun | 97.045 | 97.065 | +0.020 | 97.045 | 97.045 | 7 | 107381 |
| Sep | - | 97.075 | +0.030 | - | - | 0 | 93655 |
| Dec | - | 96.820 | +0.025 | - | - | 0 | 86108 |

**■ EURIBOR OPTIONS (LIFFE) €1m 100 - rate**

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Mar | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 96875 | 0.055 | | | | 0.010 | | | |
| 97000 | 0.005 | 0.135 | 0.175 | 0.120 | 0.085 | 0.070 | 0.100 | 0.300 |
| 97125 | 0 | | | | 0.205 | | | |
| 97250 | 0 | 0.040 | 0.070 | 0.060 | 0.330 | 0.225 | 0.245 | 0.490 |

Est. vol. total, Calls 18837 Puts 512. Previous day's open int., Calls 295487 Puts 111730

**■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate**

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Mar | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 96875 | | | | | | | | |
| 97000 | 0.095 | 0.175 | 0.120 | 0.205 | 0.030 | 0.100 | 0.300 | 0.255 |
| 97125 | | | | | | | | |
| 97250 | 0.020 | 0.070 | 0.060 | 0.105 | 0.205 | 0.245 | 0.490 | 0.405 |

Est. vol. total, Calls 105 Puts 11. Previous day's open int., Calls 279253 Puts 160155

**■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100 - rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 98.590 | 98.600 | +0.020 | 98.610 | 98.570 | 7104 | 55185 |
| Jun | 98.460 | 98.490 | +0.030 | 98.510 | 98.460 | 9710 | 74333 |
| Sep | 98.380 | 98.400 | +0.030 | 98.420 | 98.370 | 2300 | 40354 |
| Dec | 98.110 | 98.120 | +0.020 | 98.140 | 98.100 | 1241 | 16139 |

**■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100 - rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 99.78 | - | - | - | 0 | n/a |
| Jun | - | 99.79 | -0.01 | - | - | 0 | n/a |
| Sep | - | 99.78 | - | - | - | 0 | n/a |

* LIFFE futures also traded on APT

**■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100 - rate**

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 98750 | 0.010 | 0.070 | 0.105 | 0.160 | 0.330 | 0.455 |
| 98875 | 0 | | | 0.275 | | |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4300 Puts 3712

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Mar 8 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | € |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium* | (BFr) | 100 | 18.43 | 16.26 | 4.848 | 1.952 | 4800 | 5.463 | 21.24 | 497.0 | 412.5 | 22.17 | 3.949 | 1.678 | 4.085 | 2.698 | 328.9 | 2.479 |
| Denmark | (DKr) | 54.27 | 10 | 8.824 | 2.631 | 1.060 | 2605 | 2.965 | 11.53 | 269.7 | 223.8 | 12.03 | 2.143 | 0.911 | 2.217 | 1.464 | 178.5 | 1.345 |
| France* | (FFr) | 61.50 | 11.33 | 10 | 2.982 | 1.201 | 2952 | 3.360 | 13.06 | 305.6 | 253.7 | 13.64 | 2.429 | 1.032 | 2.512 | 1.659 | 202.3 | 1.525 |
| Germany* | (DM) | 20.63 | 3.801 | 3.354 | 1 | 0.403 | 990.0 | 1.127 | 4.381 | 102.5 | 85.07 | 4.573 | 0.815 | 0.346 | 0.843 | 0.556 | 67.84 | 0.511 |
| Ireland* | (I£) | 51.22 | 9.438 | 8.329 | 2.483 | 1 | 2459 | 2.798 | 10.88 | 254.6 | 211.3 | 11.36 | 2.023 | 0.859 | 2.093 | 1.382 | 168.5 | 1.270 |
| Italy* | (L) | 2.083 | 0.384 | 0.339 | 0.101 | 0.041 | 100 | 0.114 | 0.443 | 10.35 | 8.593 | 0.462 | 0.082 | 0.035 | 0.085 | 0.056 | 6.853 | 0.052 |
| Netherlands* | (Fl) | 18.31 | 3.373 | 2.977 | 0.888 | 0.357 | 878.6 | 1 | 3.888 | 90.97 | 75.50 | 4.059 | 0.723 | 0.307 | 0.748 | 0.494 | 60.21 | 0.454 |
| Norway | (NKr) | 47.08 | 8.675 | 7.656 | 2.283 | 0.919 | 2260 | 2.572 | 10 | 234.0 | 194.2 | 10.44 | 1.859 | 0.790 | 1.923 | 1.270 | 154.9 | 1.167 |
| Portugal* | (Es) | 20.12 | 3.708 | 3.272 | 0.976 | 0.393 | 965.8 | 1.099 | 4.274 | 100 | 82.99 | 4.461 | 0.795 | 0.338 | 0.822 | 0.543 | 66.18 | 0.499 |
| Spain* | (Pta) | 24.24 | 4.468 | 3.942 | 1.175 | 0.473 | 1164 | 1.324 | 5.150 | 120.5 | 100 | 5.376 | 0.957 | 0.407 | 0.990 | 0.654 | 79.75 | 0.601 |
| Sweden | (SKr) | 45.10 | 8.311 | 7.334 | 2.187 | 0.881 | 2165 | 2.464 | 9.580 | 224.1 | 186.0 | 10 | 1.781 | 0.757 | 1.842 | 1.217 | 148.3 | 1.118 |
| Switzerland | (SFr) | 25.32 | 4.666 | 4.117 | 1.228 | 0.494 | 1215 | 1.383 | 5.378 | 125.8 | 104.4 | 5.614 | 1 | 0.425 | 1.034 | 0.683 | 83.29 | 0.628 |
| UK | (£) | 59.60 | 10.98 | 9.691 | 2.889 | 1.163 | 2860 | 3.256 | 12.66 | 296.2 | 245.8 | 13.21 | 2.353 | 1 | 2.434 | 1.608 | 196.0 | 1.477 |
| Canada | (C$) | 24.48 | 4.511 | 3.980 | 1.187 | 0.478 | 1175 | 1.337 | 5.199 | 121.7 | 101.0 | 5.428 | 0.967 | 0.411 | 1 | 0.660 | 80.52 | 0.607 |
| USA | ($) | 37.07 | 6.831 | 6.027 | 1.797 | 0.724 | 1779 | 2.025 | 7.874 | 184.2 | 152.9 | 8.219 | 1.464 | 0.622 | 1.514 | 1 | 121.9 | 0.919 |
| Japan | (Y) | 30.40 | 5.602 | 4.944 | 1.474 | 0.594 | 1459 | 1.661 | 6.458 | 151.1 | 125.4 | 6.741 | 1.201 | 0.510 | 1.242 | 0.820 | 100 | 0.754 |
| Euro | (€) | 40.34 | 7.433 | 6.560 | 1.956 | 0.788 | 1936 | 2.204 | 8.568 | 200.5 | 166.4 | 8.944 | 1.593 | 0.677 | 1.648 | 1.088 | 132.7 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

**■ D-MARK FUTURES (CME) DM 125,000 per DM**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.5533 | 0.5569 | +0.0031 | 0.5588 | 0.5525 | 17,962 | 51,454 |
| Jun | 0.5555 | 0.5598 | +0.0032 | 0.5612 | 0.5555 | 10,003 | 17,044 |
| Sep | – | 0.5622 | +0.0028 | 0.5622 | – | 2 | 186 |

**■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.6805 | 0.6841 | +0.0033 | 0.6868 | 0.6787 | 18,418 | 45,936 |
| Jun | 0.6860 | 0.6901 | +0.0032 | 0.6929 | 0.6856 | 10,600 | 17,661 |
| Sep | 0.6974 | 0.6970 | +0.0037 | 0.6974 | 0.6970 | 6 | 321 |

**■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8149 | 0.8224 | +0.0081 | 0.8264 | 0.8126 | 31,154 | 69,947 |
| Jun | 0.8245 | 0.8324 | +0.0081 | 0.8369 | 0.8227 | 15,150 | 35,372 |
| Sep | – | 0.8369 | – | – | – | 15 | 1,520 |

**■ STERLING FUTURES (CME) £62,500 per £**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.6018 | 1.6080 | +0.0020 | 1.6116 | 1.6004 | 14,562 | 52,124 |
| Jun | 1.6000 | 1.6062 | +0.0016 | 1.6096 | 1.6000 | 13,276 | 22,071 |
| Sep | – | 1.6080 | +0.0038 | 1.6080 | – | 19 | 241 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Mar 8 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6 - 5 | 5⅝ - 5½ | 5½ - 5⅜ | 5⅝ - 5½ | 5⅜ - 5¼ | 5⅜ - 5¼ |
| Sterling CDs | - | - | 5½ - 5⅜ | 5⅝ - 5½ | 5⅜ - 5¼ | 5⅜ - 5¼ |
| Treasury Bills | - | - | 5⅜ - 5⅜ | 5⅜ - 5⅜ | - | - |
| Bank Bills | - | - | 5⅜ - 5⅜ | 5⅜ - 5⅜ | - | - |
| Local authority deps. | 5¾ - 5¼ | 5½ - 5¼ | 5⅝ - 5⅝ | 5⅝ - 5¼ | 5¼ - 5⅛ | 5¼ - 5⅛ |
| Discount Market deps | 5½ - 5⅜ | 5½ - 5⅜ | - | - | - | - |

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 4 | 6.5 | 6.5 | 6.25 | 6.25 |

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Mar 5. 5.0425pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 26, 1999. Agreed rate for period Mar 24, 1999 to Apr 23, 1999, Scheme III 6.80pc. Reference rate for period Jan 30, 1999 to Feb 26, 1999, Schemes IV & V 5.550pc. Finance House Base Rate 6.0pc for Mar 1999.

**■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.550 | 94.555 | +0.005 | 94.560 | 94.540 | 11336 | 163930 |
| Jun | 94.810 | 94.835 | +0.045 | 94.850 | 94.790 | 21920 | 182133 |
| Sep | 94.800 | 94.870 | +0.060 | 94.880 | 94.800 | 29762 | 183454 |
| Dec | 94.560 | 94.620 | +0.060 | 94.650 | 94.550 | 8484 | 146593 |
| Mar | 94.680 | 94.735 | +0.055 | 94.760 | 94.670 | 9727 | 136953 |

Also traded on APT. All Open interest figs. are for previous day.

**■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 94500 | 0.070 | 0.380 | 0.465 | 0.015 | 0.045 | 0.085 |
| 94625 | 0.010 | | | 0.080 | | |
| 94750 | 0 | 0.205 | 0.305 | 0.195 | 0.120 | 0.185 |
| 94875 | 0 | | | 0.320 | | |
| 95000 | 0 | 0.085 | 0.175 | 0.445 | 0.250 | 0.305 |
| 95125 | 0 | | | 0.570 | | |

Est. vol. total, Calls 2700 Puts 2330. Previous day's open int., Calls 602542 Puts 658815

### EMS EUROPEAN CURRENCY UNIT RATES

| Mar 8 | Euro cen. rates | Rate against Euro € | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Greece | 353.109 | 321.90 | –0.05 | –8.84 | 9.28 | 59 |
| Denmark | 7.46038 | 7.4322 | –0.0002 | –0.38 | 0.00 | 3 |
| NON ERM MEMBERS | | | | | | |
| UK | 0.853644 | 0.67760 | +0.0039 | 3.66 | –3.90 | – |

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92: Sterling suspended from ERM. 16/3/98. Adjustment calculated by the Financial Times.

**■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)**

| Strike Price | CALLS Mar | CALLS Apr | CALLS May | PUTS Mar | PUTS Apr | PUTS May |
|---|---|---|---|---|---|---|
| 1.590 | 1.64 | 2.57 | 3.08 | 0.27 | 1.18 | 1.68 |
| 1.600 | 1.03 | 2.04 | 2.52 | 0.53 | 1.60 | 2.11 |
| 1.610 | 0.57 | 1.60 | 2.09 | 0.98 | 2.06 | 2.58 |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

**■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)**

| Strike Price | CALLS Mar | CALLS Apr | CALLS May | PUTS Mar | PUTS Apr | PUTS May |
|---|---|---|---|---|---|---|
| 0.560 | 0.11 | 0.46 | 0.66 | 0.62 | 0.96 | 1.11 |
| 0.565 | 0.05 | 0.33 | 0.48 | 1.09 | - | 1.43 |
| 0.570 | 0.02 | 0.21 | 0.37 | 1.56 | - | - |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

**■ THREE MONTH EURODOLLAR (CME) $1m points of 100%**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.99 | 95.00 | +0.01 | 95.00 | 94.99 | 104,099 | 413,828 |
| Jun | 94.89 | 94.88 | –0.01 | 94.91 | 94.88 | 171,514 | 471,571 |
| Sep | 94.73 | 94.73 | +0.02 | 94.75 | 94.72 | 258,299 | 477,126 |

**■ US TREASURY BILL FUTURES (CME) $1m per 100%**

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.51 | 95.51 | +0.01 | 95.52 | 95.51 | 281 | 1,760 |
| Jun | 95.51 | 95.52 | +0.01 | 95.52 | 95.51 | 165 | 1,457 |

All Open interest figs. are for previous day

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 5.50 | Exeter Trust Limited | 6.50 | Smith & Williamson | 5.50 |
| Allied Irish Bank (GB) | 5.50 | ●Robert Fleming & Co | 5.50 | Sun Bank | 5.50 |
| ●Henry Ansbacher | 5.50 | Habib Bank AG Zurich | 5.50 | TSB | 5.50 |
| Banco Bilbao Vizcaya | 5.50 | Heritable & Gen Inv Bk | 5.50 | United Bank of Kuwait | 5.50 |
| Bank of Cyprus | 5.50 | C. Hoare & Co | 5.50 | Unity Trust Bank Plc | 5.50 |
| Bank of Ireland | 5.50 | ●SG Hambros Bank & Trust | 5.50 | Whiteaway Laidlaw | 5.50 |
| Bank of India | 5.50 | Hongkong & Shanghai | 5.50 | Yorkshire Bank | 5.50 |
| Bank of Scotland | 5.50 | Investec Bank (UK) Ltd | 5.50 | | |
| Barclays Bank | 5.50 | Julian Hodge Bank | 5.50 | ● Members of London Investment Banking Association | |
| Brit Bk of Mid East | 5.50 | ●Leopold Joseph & Sons | 5.50 | | |
| ●Brown Shipley & Co Ltd | 5.50 | Lloyds Bank | 5.50 | | |
| Citibank NA | 5.50 | Midland Bank | 5.50 | | |
| Clydesdale Bank | 5.50 | NatWestminster | 5.50 | | |
| The Co-operative Bank | 5.50 | ●Rea Brothers | 5.50 | | |
| Coutts & Co | 5.50 | Royal Bk of Scotland | 5.50 | | |
| Cyprus Popular Bank | 5.50 | Scottish Widows Bank | 5.50 | | |
| Duncan Lawrie | 5.50 | ●Singer & Friedlander | 5.50 | | |

## COMMODITIES & AGRICULTURE

DEBATE OVER GENETICALLY MODIFIED CROPS IS NOT CONFINED TO EUROPE. THE FIRST OF A SERIES THAT EXAMINES THE CONTROVERSY

# Concern widespread over bio-engineering

**By Paul Solman**

Genetically modified soyabeans could account for most of the crop in the US this year, according to the American Soybean Association. The acceptance of GM crops in the US contrasts starkly with the controversy surrounding them in Europe, especially in the UK.

The US is not alone. Almost 70m acres of genetically modified crops were planted globally last year, according to the biotechnology industry, and GM crops have been embraced from Australia to Latin America by farmers keen to protect their crops against insects.

Cotton growers have been especially quick to buy GM seeds. One third of Australia's cotton crop is genetically altered, while in the US the figure is 45 per cent.

Biotechnology industry officials say GM crops can reduce substantially the need to use pesticides.

"Insect resistant cotton has enabled American farmers to avoid spraying 48 railroad cars worth of pesticides on their crops every year," said Val Giddings, vice-president of Bio, a US industry group. But it would be wrong to think Europe is the only continent on which governments and consumers are worried about the effects bio-engineering in agriculture.

Even in regions such as India and Africa, which regularly suffer from food shortages, the use of GM crops is being debated because of fears about threats to biodiversity and human health.

In its latest Foodcrops and Shortages report, the UN's Food and Agriculture Organisation highlighted serious food emergencies affecting a long list of countries in Asia, Africa and Latin America.

"There is no doubt that planting of GM crops has increased almost exponentially in recent years, and they have a huge contribution to make to food security throughout the world," an FAO official said. "However, many countries remain concerned about the long-term effects of genetic engineering on health and the environment."

# India says it will let the market decide

**Genes and crops**

**By Amy Louise Kazmin in New Delhi**

The tragedy of the cotton-growing regions of India's southern state of Andhra Pradesh is still fresh in people's minds.

A year and a half ago, an attack by bollworms, which resisted repeated applications of expensive pesticides, destroyed the cotton fields, prompting some 200 debt-burdened farmers to commit suicide. Others flocked to nearby cities, hoping to find work so they could repay the money-lenders who had financed the failed crop.

The incident provided the backdrop to a fierce debate over genetically modified crops in India. In a country where 200m people go to bed hungry every night, raising agricultural productivity is a vital issue.

To their supporters, genetically modified crops are a reasonable means of helping India accelerate its stagnating agricultural production, which is crucial if the country is to meet economic growth targets, feed its increasing population, and prevent rising prices.

But their opponents claim bi-tech foreign seeds will inflict environmental damage, destroy farmers' self-reliance and push them deeper into debt. There is also deep distrust towards multinational groups and foreign technology.

Monsanto, the US life sciences company, believes its genetically modified Bollgard cotton could prevent tragedies such as that in Andhra Pradesh. Bollgard, introduced commercially in the US in 1995, has been engineered to secrete a bollworm killing bacteria, which Monsanto says would reduce farmers' dependence on costly pesticides and also bolster yields.

Through its Indian joint venture partner, Maharashtra Hybrid Company, Monsanto has conducted field trials of Bollgard around India over recent years, hoping to make the modified seeds available to farmers by 2000.

The enthusiasm for genetically modified crops is not limited to multinationals. Since the late 1980s, Indian government scientists have been working on their own genetically modified crops – including cabbage, rice, cauliflowers, and tomatoes – which would be pest-resistant or more nutritious.

Dr P.K. Ghosh, head of the Department of Biotechnology, which oversees both the public and private trials, is a staunch defender of the potential use of genetically modified seeds. "Our intention is to take it to the market. Let the farmer decide," he says.

But activists are challenging the move to start selling genetically modified seeds in the country.

In early December, the Andhra Pradesh state government halted trials in the state after agitated farmers, believed to have links with local pesticide companies, uprooted then burned test fields of the Bollgard plants.

Activists have also filed a lawsuit against Monsanto and the Indian government, claiming the Bollgard field trials are illegal. The lawsuit, filed by the Delhi-based Research Foundation for Science, Technology and Ecology, charges that Monsanto has violated existing Indian bio-safety rules by importing and planting the Bollgard seeds without permission from the proper authorities.

The suit calls for a five-year moratorium on the commercial introduction of genetically modified seeds, so India can develop a framework for evaluating the safety of genetically modified organisms. "We have rushed too fast into commercialising this immature knowledge," says foundation head Vandana Shiva.

Monsanto officials insist the company has played by the government's rules in carrying out their tests.

"We have operated within the guidelines," says Mark Wells, Monsanto marketing manager for India. He says it would be "a sad day for India" if a moratorium were imposed on genetically modified seeds.

"If you take Indian farmers to see test fields of Bollgard cotton, they think its the best thing they've ever seen," he says.

The repercussions of the debate will spread far beyond the cotton fields. Along with Monsanto, biotechnology heavyweights such as AgrEvo, Novartis and Dupont are all looking at possibilities for genetically modified seeds in the Indian market.

Besides Bollgard, Monsanto wants to introduce strains of soya and maize engineered to withstand herbicide, and also a high-yielding maize.

Proagro-PGS India, a New Delhi-based company in which AgrEvo has a 50 per cent stake, is currently testing pest-resistant tomatoes, cauliflower and cabbage, which it hopes to introduce commercially within the next few years.

"Today onions, tomorrow rice," says Arvind Kapur, general manager of Proagro-PGS India.

Yet sceptics argue that "miracle seeds" are not the solution. They say low-tech investments in irrigation and rural roads would do far more to give farmers – and food production – a boost.

"They should have irrigation, power and fertiliser," says New Delhi-based food policy analyst Devinder Sharma. Otherwise "even if you were supply them with Bollgard, it's not going to raise productivity", he says.

*The next article in this series will appear on Thursday March 11.*

Robo crops: genetically engineered cotton being grown by Monsanto on a test field near New Delhi

# Oil jumps on news of more Opec talks

**MARKETS REPORT**

**By Robert Corzine, Gillian O'Connor and Paul Solman**

Oil prices hit an eight-week high yesterday on news of yet more talks among leading members of the Organisation of Petroleum Exporting Countries, but there were also signs that the differing domestic agendas of the main exporters could hamper agreement on a new output accord.

A fresh round of high-level contacts at the weekend between Saudi Arabia and Iran fuelled optimism that Riyadh and Tehran were close to resolving a dispute over the level of production cuts Iran needs to make under last year's Opec agreement to restrain output.

In early trading Brent Blend for April delivery rose strongly, but it later dipped after Venezuela's new oil minister told oil union leaders that Caracas would not agree to any new cuts at the next Opec meeting on March 23.

In late trading on London's International Petroleum Exchange April Brent recovered most of its early gains and was 44 cents up on Friday's close at $12 a barrel.

The apparent puzzle in the tin market is that prices of metal for immediate delivery remain higher than those for delivery in three months time. This is odd since stocks are high.

However, Robin Bhar of Brandeis says ownership of most of the stocks is not being disclosed to the London Metal Exchange. "This data is consistent with anecdotal evidence of a dominant position holder in the tin market," he suggests.

A year-end surge in copper mine production left provisional total output for 1998 4.7 per cent higher than in 1997 despite cutbacks and closures, the International Copper Study Group said.

Over the year large reductions in output occurred in the US, Peru and Zambia, but this was more than offset by production growth in Chile, Argentina and Indonesia.


The price on the [illegible] hit a 12-year low virtually as the report was being published.

Fears about the impact on soyabean prices of Brazil's weakening currency have been overstated, according to Goldman Sachs. Futures prices have shed 100 cents since early January on worries that the falling Real would cause a surge in exports from the second largest producer of the crop.

The country has 5m to 6m tonnes of soyabeans in its inventory, sufficient to undercut prices from other suppliers, the US investment bank said in its Agriculture Monthly report. Exports should rise in the next few weeks but slow by late spring. May soyabeans were up 5½ cents at 469¾ cents a pound on the Chicago Board of Trade yesterday afternoon.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading)

**ALUMINIUM, 99.7 PURITY ($ per tonne)**

| | Cash | 3 mths |
|---|---|---|
| Close | 1143-4 | 1167.5-8.0 |
| Previous | 1138.5-39.5 | 1161-61.5 |
| High/low | | 1169/1159 |
| AM Official | 1139.5-40 | 1164-64.5 |
| Kerb close | | 1166-7 |
| Open int. | 302,187 | |
| Total daily turnover | 51,449 | |

**ALUMINIUM ALLOY ($ per tonne)**

| | | |
|---|---|---|
| Close | 1013-8 | 1037-9 |
| Previous | 1012-17 | 1037-39 |
| High/low | | 1040/1039 |
| AM Official | 1013-16 | 1037-39 |
| Kerb close | | 1035-40 |
| Open int. | 8,677 | |
| Total daily turnover | 1,373 | |

**LEAD ($ per tonne)**

| | | |
|---|---|---|
| Close | 505-6 | 505-6 |
| Previous | 512-3 | 512-3 |
| High/low | | 507/498 |
| AM Official | 505-5.5 | 504.5-5.5 |
| Kerb close | | 501-2 |
| Open int. | 37,129 | |
| Total daily turnover | 8,957 | |

**NICKEL ($ per tonne)**

| | | |
|---|---|---|
| Close | 4925-35 | 4990-5000 |
| Previous | 4925-35 | 4990-95 |
| High/low | | 5035/4965 |
| AM Official | 4960-65 | 5010-20 |
| Kerb close | | 4990-95 |
| Open int. | 71,896 | |
| Total daily turnover | 12,427 | |

**TIN ($ per tonne)**

| | | |
|---|---|---|
| Close | 5375-80 | 5315-20 |
| Previous | 5360-70 | 5305-10 |
| High/low | | 5315/5310 |
| AM Official | 5380-85 | 5310-20 |
| Kerb close | | 5305-10 |
| Open int. | 22,155 | |
| Total daily turnover | 2,073 | |

**ZINC, special high grade ($ per tonne)**

| | | |
|---|---|---|
| Close | 1035-6 | 1044-5 |
| Previous | 1046.5-47.5 | 1054-55 |
| High/low | | 1054/1038 |
| AM Official | 1043-43.5 | 1051.5-52 |
| Kerb close | | 1033-40 |
| Open int. | 99,586 | |
| Total daily turnover | 9,025 | |

**COPPER, grade A ($ per tonne)**

| | | |
|---|---|---|
| Close | 1362-3 | 1390-90.5 |
| Previous | 1385.5-86.5 | 1412-13 |
| High/low | | 1405/1373 |
| AM Official | 1364-65 | 1392-93 |
| Kerb close | | 1393-4 |
| Open int. | 174,764 | |
| Total daily turnover | 40,770 | |

LME AM Official £/$ rate: 1.6103
LME Closing £/$ rate: 1.6080
Spot: 1.6077 3 mths: 1.6063 6 mths: 1.6063 9 mths: 1.6072

**HIGH GRADE COPPER (COMEX)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 61.90 | -0.80 | 62.15 | 61.70 | 517 | 2,469 |
| Apr | 62.25 | -0.80 | 62.50 | 62.00 | 167 | 3,602 |
| May | 62.65 | -0.75 | 63.50 | 62.15 | 4,789 | 38,381 |
| Jun | 63.00 | -0.75 | 63.25 | 63.00 | 73 | 1,831 |
| Jul | 63.40 | -0.70 | 63.70 | 63.25 | 285 | 8,713 |
| Aug | 63.75 | -0.70 | 65.10 | 64.40 | 23 | 1,476 |
| Total | | | | | 6,090 | 74,786 |

### PRECIOUS METALS

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | Eur equiv |
|---|---|---|---|
| Close | 288.30-288.80 | | |
| Opening | n/a | | |
| Morning fix | 288.50 | 179.594 | 264.267 |
| Afternoon fix | 289.50 | 179.981 | 266.011 |
| Day's High | n/a | | |
| Day's Low | n/a | | |
| Previous close | 288.20-288.70 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.27 | 6 months | 4.07 |
| 2 months | 4.23 | 12 months | 3.78 |
| 3 months | 4.20 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 325.776 | 524.50 |

Silver Lending Rates

| | | | |
|---|---|---|---|
| 1 month | -2.0 | 6 months | -2.0 |
| 2 months | -2.0 | 12 months | -2.0 |
| 3 months | -2.0 | | |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 290-294 | 180-182 |
| New Sovereign | 68-72 | 42-44 |

### Precious Metals continued

**GOLD COMEX (100 Troy oz.; $/troy oz.)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 287.7 | +3.2 | 288.4 | 288.4 | 16 | 16 |
| Apr | 287.7 | +3.2 | 293.0 | 286.1 | 26,659 | 108.9k |
| Jun | 294.5 | +3.2 | 295.0 | 291.2 | 1,651 | 25,750 |
| Aug | 295.5 | +3.2 | 295.3 | 294.9 | 90 | 7,160 |
| Oct | 298.4 | +3.2 | 296.8 | 296.8 | 25 | 2,886 |
| Dec | 300.3 | +3.2 | 301.0 | 298.4 | 399 | 12,980 |
| Total | | | | | 29,415 | 194,364 |

**PLATINUM NYMEX (50 Troy oz.; $/troy oz.)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 378.5 | +1.3 | 379.0 | 377.5 | 1,442 | 14,024 |
| Jul | 376.0 | +1.8 | 376.0 | 374.5 | 96 | 3,087 |
| Oct | 376.0 | +1.8 | - | - | 10 | 1,001 |
| Total | | | | | 1,559 | 18,116 |

**PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 348.45 | +1.45 | 349.00 | 349.00 | 20 | 305 |
| Jun | 347.45 | +1.95 | 348.00 | 342.50 | 26 | 2,490 |
| Sep | 340.45 | +1.95 | 340.00 | 336.00 | 15 | 157 |
| Total | | | | | 49 | 3,860 |

**SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 529.8 | +8.5 | 531.0 | 523.0 | 409 | 2,113 |
| May | 528.8 | +8.5 | 530.0 | 518.5 | 19,675 | 48,748 |
| Jul | 528.4 | +8.3 | 530.5 | 524.0 | 544 | 15,594 |
| Sep | 529.6 | +7.8 | 530.0 | 528.0 | 28 | 4,202 |
| Dec | 528.4 | +8.1 | 529.0 | 524.0 | 160 | 8,582 |
| Jan | 528.1 | +8.1 | - | - | - | 11 |
| Total | | | | | 20,849 | 85,736 |

### ENERGY

**CRUDE OIL NYMEX (1,000 barrels, $/barrel)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 13.83 | +0.53 | 14.03 | 13.41 | 65,398 | 111.7k |
| May | 13.95 | +0.54 | 14.11 | 13.60 | 27,295 | 68,923 |
| Jun | 13.95 | +0.48 | 14.12 | 13.65 | 16,064 | 62,408 |
| Jul | 14.08 | +0.55 | 14.10 | 13.82 | 4,435 | 32,543 |
| Aug | 14.09 | +0.50 | 14.14 | 13.85 | 2,251 | 19,709 |
| Sep | 14.09 | +0.44 | 14.15 | 13.90 | 2,357 | 15,588 |
| Total | | | | | 164 | 2,362 |

**CRUDE OIL IPE ($/barrel)**

| | 6pm price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 11.93 | +0.37 | 12.14 | 11.75 | 19,153 | 41,923 |
| May | 12.05 | +0.37 | 12.25 | 11.90 | 20,726 | 58,195 |
| Jun | 12.27 | +0.39 | 12.38 | 12.04 | 9,347 | 42,598 |
| Jul | 12.30 | +0.38 | 12.45 | 12.14 | 1,158 | 17,885 |
| Aug | 12.43 | +0.38 | 12.50 | 12.25 | 172 | 7,563 |
| Sep | 12.47 | +0.31 | 12.60 | 12.37 | 334 | 5,686 |
| Total | | | | | n/a | n/a |

**HEATING OIL NYMEX (42,000 US galls.; c/US galls.)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 36.15 | +1.40 | 36.60 | 35.10 | 21,087 | 42,095 |
| May | 36.45 | +1.31 | 36.70 | 35.51 | 7,386 | 22,564 |
| Jun | 36.90 | +1.31 | 37.10 | 36.20 | 3,456 | 17,936 |
| Jul | 37.60 | +1.36 | 37.70 | 36.90 | 1,507 | 12,562 |
| Aug | 38.45 | +1.46 | 38.45 | 37.70 | 1,529 | 10,354 |
| Sep | 38.80 | +0.96 | 38.80 | 38.80 | 2,166 | 7,158 |
| Total | | | | | 44,084 | 156,513 |

**GAS OIL IPE ($/tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 112.00 | +5.50 | 113.00 | 108.50 | 15,054 | 15,919 |
| Apr | 109.25 | +3.75 | 109.50 | 106.25 | 17,389 | 28,976 |
| May | 108.00 | +3.25 | 109.00 | 106.50 | 6,256 | 18,776 |
| Jun | 109.00 | +2.75 | 109.50 | 107.50 | 3,259 | 15,469 |
| Jul | 111.00 | +2.50 | 111.50 | 110.00 | 489 | 6,016 |
| Aug | 113.50 | +3.00 | 113.50 | 112.75 | 119 | 5,759 |
| Total | | | | | 45,008 | 135,363 |

**NATURAL GAS IPE (1,000 therms; pence per therm)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 9.360 | +0.020 | 9.380 | 9.350 | 150 | 3,900 |
| May | - | +0.010 | - | - | - | 2,130 |
| Total | | | | | 460 | 22,280 |

**NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 1.895 | +0.042 | 1.915 | 1.860 | 62,499 | 59,207 |
| May | 1.910 | +0.039 | 1.930 | 1.880 | 18,112 | 21,180 |
| Jun | 1.925 | +0.031 | 1.940 | 1.905 | 10,730 | 19,348 |
| Jul | 1.945 | +0.028 | 1.950 | 1.925 | 3,052 | 16,501 |
| Aug | 1.960 | +0.020 | 1.960 | 1.945 | 2,745 | 13,883 |
| Sep | 1.990 | +0.030 | 1.990 | 1.965 | 3,416 | 15,979 |
| Total | | | | | 108,321 | 276,979 |

**UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)**

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 42.95 | +1.55 | 43.25 | 41.75 | 19,331 | 37,737 |
| May | 43.85 | +1.50 | 44.00 | 42.65 | 7,872 | 20,893 |
| Jun | 44.40 | +1.35 | 44.60 | 43.70 | 4,394 | 19,480 |
| Jul | 44.80 | +1.25 | 44.80 | 44.15 | 440 | 15,730 |
| Aug | 44.80 | +1.05 | 45.00 | 44.30 | 296 | 4,144 |
| Sep | 44.60 | +0.87 | 44.60 | 44.40 | 269 | 3,875 |
| Total | | | | | 32,285 | 109,959 |

### GRAINS AND OIL SEEDS

**WHEAT LIFFE (100 tonnes; £ per tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 73.75 | +0.35 | 74.00 | 73.75 | 24 | 81 |
| May | 76.00 | +0.40 | 76.60 | 76.00 | 249 | 3,306 |
| Jul | 77.90 | +0.40 | 78.25 | 77.80 | 50 | 1,396 |
| Sep | 77.20 | +0.70 | 77.50 | 77.50 | 25 | 191 |
| Nov | 79.20 | +0.70 | 79.50 | 79.00 | 229 | 2,776 |
| Jan | 81.20 | +0.70 | 81.15 | 81.15 | 10 | 443 |
| Total | | | | | 587 | 8,244 |

**WHEAT CBT (5,000bu min; cents/60lb bushel)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 260.50 | +2.50 | 264.00 | 260.00 | 3,565 | 3,108 |
| May | 270.00 | +2.25 | 273.50 | 268.00 | 10,779 | 49,098 |
| Jul | 279.75 | +2.50 | 283.25 | 277.00 | 12,767 | 55,485 |
| Sep | 290.75 | +1.75 | 293.75 | 289.25 | 331 | 5,545 |
| Dec | 304.75 | +2.25 | 307.00 | 303.00 | 766 | 7,742 |
| Mar | 313.00 | +2.00 | 318.00 | 315.00 | 201 | 2,374 |
| Total | | | | | 28,416 | 123,420 |

**MAIZE CBT (5,000 bu min; cents/56lb bushel)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 214.00 | +6.00 | 215.00 | 209.75 | 5,314 | 10,286 |
| May | 220.75 | +4.75 | 222.00 | 215.75 | 21,345 | 143,872 |
| Jul | 227.75 | +4.75 | 229.00 | 222.25 | 6,280 | 106,288 |
| Sep | 234.25 | +4.50 | 235.25 | 231.25 | 826 | 24,340 |
| Dec | 243.50 | +4.75 | 244.25 | 239.00 | 5,208 | 69,799 |
| Mar | 251.00 | +4.75 | 251.00 | 247.50 | 261 | 7,448 |
| Total | | | | | 39,334 | 365,541 |

**BARLEY LIFFE (100 tonnes; £ per tonne)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 74.50 | +0.50 | - | - | - | 18 |
| May | 74.50 | +0.50 | - | - | - | 163 |
| Sep | 75.50 | +0.50 | - | - | - | 35 |
| Nov | 77.75 | +0.50 | - | - | - | 303 |
| Jan | 79.75 | +0.50 | - | - | - | 20 |
| Total | | | | | | 539 |

**SOYABEANS CBT (5,000bu min; cents/60lb bushel)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 462.75 | +7.00 | 465.00 | 455.75 | 4,919 | 5,209 |
| May | 471.00 | +6.50 | 474.00 | 463.00 | 31,826 | 61,761 |
| Jul | 480.00 | +7.25 | 482.00 | 473.00 | 8,691 | 46,046 |
| Aug | 482.25 | +6.25 | 485.50 | 480.00 | 261 | 14,886 |
| Sep | 485.50 | +7.00 | 488.50 | 481.50 | 113 | 5,150 |
| Nov | 493.25 | +6.00 | 496.00 | 487.25 | 3,373 | 25,162 |
| Total | | | | | 49,353 | 160,895 |

**SOYABEAN OIL CBT (60,000lbs; cents/lb)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 18.05 | +0.70 | 18.10 | 17.68 | 2,185 | 2,161 |
| May | 18.26 | +0.65 | 18.38 | 17.61 | 15,464 | 52,256 |
| Jul | 18.51 | +0.62 | 18.59 | 18.16 | 4,618 | 32,089 |
| Aug | 18.63 | +0.58 | 18.70 | 18.30 | 1,838 | 8,764 |
| Sep | 18.75 | +0.61 | 18.90 | 18.50 | 1,869 | 8,222 |
| Oct | 18.82 | +0.51 | 19.02 | 18.72 | 640 | 4,764 |
| Total | | | | | 31,822 | 138,756 |

**SOYABEAN MEAL CBT (100 tons; $/ton)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 127.7 | +1.2 | 128.4 | 126.5 | 2,380 | 6,025 |
| May | 129.9 | +0.5 | 131.2 | 128.8 | 12,018 | 45,097 |
| Jul | 132.0 | +0.6 | 133.3 | 131.1 | 4,158 | 38,010 |
| Aug | 133.5 | +0.2 | 135.0 | 133.1 | 578 | 11,236 |
| Sep | 135.5 | +0.5 | 138.5 | 134.8 | 78 | 9,081 |
| Oct | 137.6 | +0.6 | 138.5 | 136.5 | 212 | 4,468 |
| Total | | | | | 21,107 | 127,781 |

**POTATOES LIFFE (20 tonnes; £ per tonne)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 285.0 | -1.5 | 288.0 | 282.0 | 18 | 1,874 |
| May | 323.0 | -2.0 | 325.0 | 325.0 | 4 | 39 |
| Jun | 333.0 | -2.0 | - | - | - | - |
| Nov | 80.0 | -5.0 | - | - | - | - |
| Mar | 120.0 | +5.0 | - | - | - | - |
| Total | | | | | 51 | 1,988 |

**FREIGHT (BIFFEX) LIFFE ($10/index point)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 1010 | +35 | 1010 | 975 | 14 | 228 |
| Apr | 1030 | +30 | 1030 | 995 | 27 | 902 |
| Jul | 890 | +20 | - | - | - | 583 |
| Oct | 990 | +20 | - | - | - | 370 |
| Jan | 1020 | +20 | - | - | - | 39 |
| Total | | | | | 47 | 2,123 |

| | Close | Prev |
|---|---|---|
| BFI | 958 | 958 |

### PULP AND PAPER

**PULPEX OMLX (US$; 24 air dry tons)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 404.25 | +4.00 | 404.25 | 404.25 | 6 | 294 |
| Jun | 429.00 | -1.00 | 430.00 | 429.00 | 25 | 476 |
| Total | | | | | 31 | 844 |

FUTURES DATA
*All futures data supplied by CMS.*

**Minor Metals** from Metal Bulletin
European free market, $ per pound in warehouse. **Antimony:** 99.65%, $ per tonne, 1,430-1,485. **Bismuth:** min. 99.99%, tonne lots, 3.05-3.25 (3.00-3.20). **Cadmium:** min. 99.95%, cents a pound, 20-24. **Cobalt:** MB free market, min. 99.8%, 18.00-19.30 (18.30-19.80), min. 99.3%,15.70-16.80 (16.30-17.30). **Mercury:** min. 99.99%, $ per 76 pound flask, 137-145. **Molybdenum:** drummed molybdic oxide, 2.80-3.10 (3.05-3.10). **Selenium:** min. 99.5%, 1.40-2.30. **Tungsten ore:** 33-44. **Uranium:** Nuexco, unrestricted exchange value 8.85. **Vanadium:** min. 98%, 2.40-2.50 (2.40-2.55).

### SOFTS

**COCOA LIFFE (10 tonnes; £/tonne)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 851 | -3 | 858 | 849 | 80 | 4,779 |
| May | 859 | -1 | 866 | 856 | 2,442 | 50,564 |
| Jul | 877 | -1 | 884 | 874 | 534 | 14,223 |
| Sep | 895 | -2 | 902 | 893 | 891 | 30,115 |
| Dec | 916 | -2 | 922 | 914 | 528 | 25,191 |
| Mar | 937 | -2 | 942 | 936 | 160 | 18,231 |
| Total | | | | | 4,681 | 183,834 |

**COCOA CSCE (10 tonnes; $/tonnes)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 1228 | +9 | 1230 | 1216 | 94 | 331 |
| May | 1238 | +9 | 1243 | 1221 | 2,964 | 34,559 |
| Jul | 1262 | +10 | 1268 | 1246 | 304 | 13,127 |
| Sep | 1287 | +10 | 1289 | 1273 | 356 | 7,556 |
| Dec | 1325 | +12 | 1319 | 1314 | 943 | 6,152 |
| Mar | 1360 | +9 | 1360 | 1357 | 60 | 6,392 |
| Total | | | | | 4,746 | 71,262 |

**COCOA (ICCO) (SDR's/tonne)**

| Mar 5 | Price | Prev. day |
|---|---|---|
| Daily | 984.13 | 989.87 |

**COFFEE LIFFE (5 tonnes; $/tonne)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 1720 | -30 | 1760 | 1719 | 423 | 7,938 |
| May | 1570 | -20 | 1615 | 1565 | 4,731 | 28,638 |
| Jul | 1560 | -17 | 1603 | 1555 | 1,581 | 8,704 |
| Sep | 1555 | -17 | 1590 | 1575 | 211 | 2,964 |
| Nov | 1550 | -17 | 1593 | 1575 | 27 | 1,401 |
| Jan | 1545 | -17 | 1570 | 1588 | 3 | 428 |
| Total | | | | | 6,976 | 60,182 |

**COFFEE 'C' CSCE (37,500lbs; cents/lbs)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 103.10 | -2.15 | 108.00 | 103.10 | 46 | 562 |
| May | 104.10 | -2.90 | 109.00 | 103.50 | 9,481 | 25,455 |
| Jul | 105.30 | -2.85 | 110.00 | 105.25 | 1,112 | 7,488 |
| Sep | 107.15 | -2.10 | 111.50 | 106.90 | 920 | 4,597 |
| Dec | 108.50 | -1.80 | 111.50 | 108.50 | 118 | 2,150 |
| Mar | 110.00 | -1.80 | 112.10 | 110.50 | 240 | 726 |
| Total | | | | | 11,917 | 41,075 |

**COFFEE (ICO) (US cents/pound)**

| Mar 5 | | Prev. day |
|---|---|---|
| Comp. daily | 90.78 | 89.15 |
| 15 day average | 91.08 | 91.33 |

**WHITE SUGAR LIFFE (50 tonnes; $/tonne)**

| | | | | | | |
|---|---|---|---|---|---|---|
| May | 205.6 | -0.6 | 206.2 | 204.0 | 767 | 24,006 |
| Aug | 198.1 | -0.7 | 198.9 | 196.8 | 428 | 12,679 |
| Oct | 191.8 | -0.2 | 192.7 | 189.9 | 20 | 10,266 |
| Dec | 192.6 | - | 193.0 | 190.8 | 127 | 3,675 |
| Mar | 196.6 | -0.5 | 197.0 | 194.5 | 123 | 3,123 |
| May | 197.9 | -0.6 | 198.5 | 196.5 | 17 | 1,051 |
| Total | | | | | 1,481 | 54,817 |

**SUGAR '11' CSCE (112,000lbs; cents/lbs)**

| | | | | | | |
|---|---|---|---|---|---|---|
| May | 5.72 | - | 5.78 | 5.56 | 15,274 | 70,002 |
| Jul | 5.51 | - | 5.56 | 5.38 | 9,081 | 46,891 |
| Oct | 5.88 | +0.01 | 5.89 | 5.75 | 1,749 | 26,847 |
| Mar | 6.45 | - | 6.52 | 6.35 | 1,819 | 18,127 |
| May | 6.53 | -0.01 | 6.60 | 6.54 | 139 | 2,983 |
| Jul | 6.63 | +0.01 | 6.69 | 6.63 | 48 | 2,162 |
| Total | | | | | 28,205 | 168,417 |

**COTTON NYCE (50,000lbs; cents/lbs)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 66.68 | +0.18 | 67.00 | 65.50 | 45 | 1,710 |
| May | 61.84 | -1.09 | 63.20 | 61.50 | 16,780 | 26,794 |
| Jul | 60.63 | -0.21 | 61.65 | 60.50 | 4,857 | 15,976 |
| Oct | 60.30 | -0.03 | 60.70 | 60.30 | 36 | 1,771 |
| Dec | 60.55 | +0.07 | 60.70 | 60.20 | 1,755 | 18,715 |
| Mar | 61.35 | - | 61.65 | 61.35 | 56 | 2,229 |
| Total | | | | | 23,514 | 66,581 |

**ORANGE JUICE NYCE (15,000lbs; cents/lbs)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 84.05 | -0.75 | 85.80 | 83.75 | 455 | 512 |
| May | 83.35 | +1.05 | 83.60 | 82.30 | 1,705 | 16,612 |
| Jul | 82.35 | +0.75 | 82.90 | 81.25 | 289 | 5,216 |
| Sep | 82.35 | +0.85 | 82.00 | 82.00 | 32 | 2,283 |
| Nov | 83.15 | +1.45 | - | - | 30 | 1,498 |
| Jan | 84.15 | +1.95 | 83.90 | 83.90 | 10 | 979 |
| Total | | | | | 2,491 | 27,436 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

### INDICES

**Reuters (Base: 18/9/31 = 100)**

| Mar 8 | Mar 5 | month ago | year ago |
|---|---|---|---|
| 1358.5 | 1389.8 | 1446.5 | 1690.0 |

**CRB Futures (Base: 1967 = 100)**

| Mar 5 | Mar 4 | month ago | year ago |
|---|---|---|---|
| 186.53 | 185.25 | - | - |

**GSCI Spot (Base: 1970 = 100)**

| Mar 5 | Mar 4 | month ago | year ago |
|---|---|---|---|
| 136.26 | 136.26 | 133.12 | 163.45 |

**LME WAREHOUSE STOCKS (tonnes)**

| | | | |
|---|---|---|---|
| Aluminium | -575 | to | 814,150 |
| Aluminium alloy | -340 | to | 88,080 |
| Copper | -4,375 | to | 898,600 |
| Lead | -275 | to | 107,125 |
| Nickel | -534 | to | 60,246 |
| Zinc | +700 | to | 309,825 |
| Tin | -160 | to | 9,025 |

### MEAT AND LIVESTOCK

**LIVE CATTLE CME (40,000lbs; cents/lbs)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 68.425 | +0.650 | 68.925 | 68.125 | 7,549 | 52,679 |
| Jun | 65.875 | -0.225 | 66.500 | 65.800 | 3,820 | 33,584 |
| Aug | 63.375 | -0.050 | 63.675 | 63.300 | 2,408 | 14,782 |
| Oct | 65.500 | -0.125 | 65.900 | 65.400 | 842 | 9,228 |
| Dec | 67.050 | +0.275 | 67.250 | 66.750 | 165 | 4,004 |
| Feb | 67.850 | +0.175 | 68.050 | 67.700 | 23 | 920 |
| Total | | | | | 14,922 | 115,292 |

**LEAN HOGS CME (40,000lbs; cents/lbs)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 42.575 | -0.250 | 43.400 | 42.500 | 3,313 | 15,535 |
| Jun | 55.100 | -0.300 | 55.375 | 54.650 | 1,689 | 10,444 |
| Jul | 55.750 | +0.200 | 55.900 | 55.450 | 405 | 4,589 |
| Aug | 56.350 | +0.200 | 56.450 | 56.100 | 189 | 4,057 |
| Oct | 55.075 | +0.375 | 55.150 | 54.650 | 284 | 4,786 |
| Dec | 55.500 | +0.200 | 55.600 | 55.300 | 272 | 2,483 |
| Total | | | | | 6,177 | 42,333 |

**PORK BELLIES CME (40,000lbs; cents/lbs)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 50.375 | -0.300 | 52.600 | 50.050 | 533 | 664 |
| May | 52.450 | +0.400 | 53.500 | 51.900 | 1,041 | 2,594 |
| Jul | 53.625 | +0.575 | 54.200 | 53.000 | 142 | 984 |
| Aug | 52.625 | +0.325 | 53.700 | 52.600 | 19 | 354 |
| Total | | | | | 1,735 | 4,866 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| **ALUMINIUM (99.7%) LME** | Apr | Jul | Apr | Jul |
| 1150 | 25 | 20 | 59 | 32 |
| 1200 | 7 | 52 | 35 | 57 |
| 1250 | 1 | 96 | 19 | 90 |
| **COPPER (Grade A) LME** | Apr | Jul | Apr | Jul |
| 1350 | 55 | 23 | 104 | 50 |
| 1400 | 29 | 48 | 78 | 72 |
| 1450 | 14 | 82 | 57 | 100 |
| **COFFEE LIFFE** | May | Jul | May | Jul |
| 1600 | 142 | 36 | 1 | 86 |
| 1650 | 92 | 20 | 1 | 100 |
| 1700 | 43 | 11 | 1 | 141 |
| **COCOA LIFFE** | May | Jul | May | Jul |
| 900 | 12 | 32 | 53 | 55 |
| 925 | 7 | 23 | 73 | 71 |
| 950 | 4 | 17 | 95 | 90 |
| **BRENT CRUDE IPE** | Apr | May | Apr | May |
| 1050 | - | - | - | 12 |
| 1100 | - | - | 5 | 24 |
| 1150 | - | 89 | - | 40 |

### LONDON SPOT MARKETS

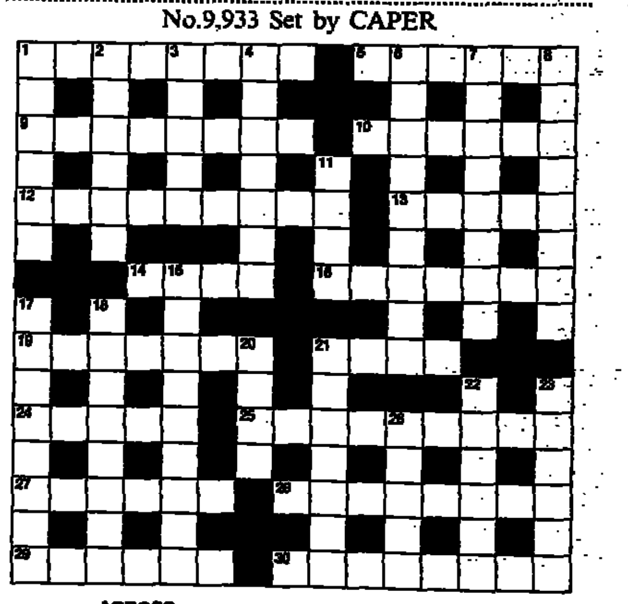
| **CRUDE OIL FOB (per barrel)** | | +or- |
|---|---|---|
| Dubai | $11.28-1.40 | +0.44 |
| Brent Blend (dated) | $11.48-1.58 | +0.435 |
| Brent Blend (Apr) | $12.00-2.07 | +0.465 |
| W.T.I. | $13.86-3.89x | +0.585 |
| **OIL PRODUCTS NWE prompt delivery CIF (tonne)** | | |
| Premium Gasoline ‡ | $126-128 | +2 |
| Gas Oil | $113-115 | +5 |
| Heavy Fuel Oil | $56-58 | |
| Naphtha | $109-111 | |
| Jet fuel | $125-126 | +5 |
| Diesel | $116-118 | +2 |
| **NATURAL GAS (Pence/therm)** | | |
| Bacton (Apr) | 9.30-9.40 | |
| *Petroleum Argus. Tel. London (0171) 359 8792* | | |
| **OTHER** | | |
| Gold (per troy oz)♣ | $289.55 | +1.10 |
| Silver (per troy oz)♣ | 524.50c | +6.50 |
| Platinum (per troy oz.) | $378.50 | +2.25 |
| Palladium (per troy oz.) | $347.00 | +0.50 |
| Copper | 67.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 19.80r | |
| Tin (New York) | 254.5 | -4.0 |
| Cattle (live weight) | 87.71p | -0.80* |
| Sheep (live weight) | 96.17p | +10.14* |
| Pigs (live weight)† | 63.31p | +3.82* |
| Lon. day sugar (raw) | $151.70 | +2.80 |
| Lon. day sugar (wte) | $218.20 | +2.30 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Mar)♥ | 45.50p | |
| Rubber (Apr)♥ | 46.00p | |
| Rubber (KL RSS No1) | 256.00m | +2.0 |
| Coconut Oil (Phil)§ | 700.0 | |
| Palm Oil (Malay.)§ | 492.5y | |
| Copra (Phil)§ | 445.0z | |
| Soyabeans (US) | 148.5y | |
| Cotton Outlook'A' index | 56.95 | +0.35 |
| Wooltops (64s Super) | 292p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Mar. x Apr. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on ‡ Unleaded Gasoline will replace Premium on March 16th. 500 head of pigs sold.



## CROSSWORD

No.9,933 Set by CAPER



**ACROSS**

1 A Lakeland town's shop, say, and nothing more (8)
5 Tintin's dance (6)
9 Empty comment lacks power and breadth in interpretation (8)
10 Show bide to vet (6)
12 Soften tiny bit of offal with ie mallet, if rotten (9)
13 Sappers and, primarily, Royal Marines prepare to fight again (5)
14 Book-token (4)
16 Gradually introduce pain (he's kinky) (5,2)
19 Severely criticises poor actors (7)
21 What's red and white ? (4)
24 Order artist to return fish (5)
25 Recognised daughter with cup of tea (for a change!) (5,2,2)
27 She wrote "Gold gun" (6)
28 One sells stuff to top women (8)
29, 30 A moving complaint? (6,8)

**DOWN**

1, 17 Info about aged hick cuddling hot, exotic, beast (6,8)
2 Deed gets a Conservative into trouble (6)
3 Copper, say, upset former member (5)
4 Deadly spider's what one in the sun should avoid (7)
6 Prove when sure (9)
7 Burns produce second mark inside (8)
8, 23 Iron-miners change outside toilets for a traditional game (4,4,6)
11 Look up and down (4)
15 Gas that can produce clean yet explosive energy (9)
17 See 1 down (8)
18 Am I a case for brothers making food of the gods? (8)
20 Peter's secure (4)
21 He scored at home – I see trophy returning! (7)
22 Wash drunkard (6)
23 See 8 (6)
26 Glen King's an old adversary of the Doctor (5)

Solution to Saturday's prize puzzle on Saturday March 20.
Solution to yesterday's prize puzzle on Monday March 22.

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

# FT MANAGED FUNDS SERVICE



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

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### BERMUDA (FSA RECOGNISED)

### BERMUDA (REGULATED)(**)

### CAYMAN ISLANDS (REGULATED)(**)

### GUERNSEY (FSA RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (FSA RECOGNISED)



### IRELAND (REGULATED)(**)

### ISLE OF MAN (FSA RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

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Offshore Funds and Insurances

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Barclays International Funds

PO Box 152, St Helier, Jersey CI 01534 812700

Equity Funds

Currency Funds

Bond Funds

Gartmore Fund Managers Intl Ltd (z)

PO Box 272, 45 La Motte St., Jersey 01534 280683

Gartmore Capital Strategy Fund Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

PO Box 657, New Street, St. Helier, Jersey 01534 604614

Offshore Funds

Lloyds Bank (CI) U/T Mgrs.

PO Box 311, St Helier, Jersey

Lloyds TSB Fund Managers (CI) Ltd

PO Box 538, St Helier, Jersey

Lloyds TSB Offshore Funds Limited

Lloyds TSB Offshore Gilt Fund Ltd

Midland Bank Fund Managers (Jersey) Ltd

Newton Fund Mgrs (CI) Ltd (1200)F

Perpetual Fund Management (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

## JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

Bank of Ireland Asset Mngmt (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Barclays Intl Funds

Cater Allen Investment Management (CI)

Cazenove International Fund Mgmt (CIAM)

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

INVESCO International Limited

Investec Management Co (Jersey) Limited

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration Services (CI) Ltd

Lazard Investment Funds (CI) Ltd

Lloyds TSB Fund Managers (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Morenets, Oils Res. Stra. Fd. Inc.

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Brewin Dolphin Offshore Funds Limited (OEIC)

Lowes Personal Choice Portfolios Limited

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mgmt (Jersey) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

## LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

American Phoenix Investment Portfolios (u)

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (z)

Barclays Inv Funds (Luxembourg)

CAI Asset Management (Luxembourg) SA

Chase Manhattan Vista Funds

Comercial Union Luxembourg SA (u)

Credit Agricole Indosuez

DB Investment Management SA

Daiwa Fund (u)

E.T. Investment Management Ltd

Fidelity Funds (u)

Fidelity Funds - Contd.

Fleming Group (u)

Foreign & Colonial Emerging Markets Ltd

Foreign & Colonial Portfolios Fd Sicav

Frontrunner I (u)

GT Global

HSBC Investment Funds Luxembourg SA (u)

INVESCO International Limited (u)

Jupiter Tyndall Global Fund

Lloyds Bank Luxembourg

Lloyds Bank Luxembourg - Contd.

Lombard Odier Invest (u)

Martin Currie Global Funds

Mercury Asset Management

Morgan Stanley Sicav

Schroder International Selection Fund

Schroder International Selection Fd - Contd.

Scottish Equitable Intl Fund SICAV

Sun Life Global Management Ltd (u)

Templeton Global Strategy Funds (u)

## LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Aberdeen Global Funds

Banque Internationale à Luxembourg

Barclays Liquidity Portfolios

Brunswick Russian Emerging Equities Trust

CS Fund International

Credit Agricole Indosuez

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse Asset Mgmt Funds

Daiwa Japan Small Equity Fd (u)

Dresdner RCM European Bond Fund

Egypt Trust

Emerging Markets Brewery Fund SICAV

BNP - Contd.

Banque Colbert S.A.

Banque Ferrier Lullin (Lux) SA

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Franklin Templeton Worldwide Funds

Fred Alger Management Inc

Groupe Du Savoy SICAV

HYPO Capital Mgmt Invest Luxembourg SA

International Bond Trust

INVESCO International Limited

JP Morgan

Julius Baer Group

Lloyds Bank Luxembourg

Lombard Odier Selection

Merrill Lynch Asset Management

Morgan Stanley Sicav

Nikko Bank (Luxembourg) S.A.

Nikko Capital Management

Regent Korea Emerging Growth Fund

Rosenberg Management S.A.

Rothschild (Group Edmond de)

SCI/TECH SA

Scudder Global Opportunities Funds

Sector Fund

Seligman Global Horizon Funds

Sigma Fund SICAV

Societe Generale Emer Europe Asset Mgt

Standard Chartered Investment Fund SA

State Street Luxembourg SA

Templeton Emerging Asia

Tower Fund

UBS AG

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Invest SICAV

## OFFSHORE INSURANCES

Aberdeen International Ltd

# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.



## OTHER OFFSHORE FUNDS

## MANAGED FUNDS NOTES

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CONSTRUCTION

## CONSTRUCTION - Continued

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Continued

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Cooper (F) | | 41½ | – | 97½ | 24½ | – | – | 11.0 |
| Cornelius Hunter | v | 222xd | +4½ | 458½ | 185½ | 141 | 4.1 | 12.6 |
| Eadie | † | 9¼ | | 14 | 7 | 520 | 6.4 | 9.3 |
| Eleco | | 22 | –½ | 32¼ | 13½ | 4 | 1.4 | 9.7 |
| Energy Technique | | 22½ | | 50 | 16½ | 5 | 8.3 | – |
| Europoets | | 10xd | | 18¼ | 10 | 67 | 10.5 | 7.6 |
| Expamet Intl | † | 110 | | 181½ | 100½ | 8 | 4.7 | 9.2 |
| FKI | | 168 | +1½ | 228½ | 107½ | 379 | 4.8 | 10.3 |
| Fenner | | 130½ | | 216 | 90 | 2 | 4.3 | 9.3 |
| Ferrum | | 1½ | | 3 | 1½ | – | – | 11.7 |
| Firth | | 19¼ | +1¼ | 40 | 15½ | 275 | 1.9 | 22.2 |
| Firth Rixson | | 80½xd | –½ | 102 | 67½ | 33 | 4.3 | 8.1 |
| Flare | | 8 | | 48½ | 7½ | 35 | – | – |
| Focus Dynamics | | 27 | | 78½ | 17½ | 2 | – | ϕ |
| GEI Intl | | 41½xd | | 118 | 32 | 98 | 10.8 | 3.5 |
| Garton | | 128½ | | 208½ | 110 | – | 8.2 | 4.2 |
| Glynwed Intl | | 198½ | +1 | 331½ | 140 | 557 | 8.4 | 8.2 |
| Goodwin | | 66½ | | 92½ | 56½ | – | 5.5 | 4.5 |
| Hadea Blac | | 48 | | 159½ | 38½ | 28 | 8.2 | 5.0 |
| Hadleigh | | 127½xd | | 256 | 123 | – | 7.4 | 6.6 |
| Hall Eng | | 120 | | 257 | 65 | – | 9.2 | ϕ |
| Halma | | 124½ | –½ | 144½ | 95½ | 1,209 | 3.0 | 14.8 |
| Hampson Inds | | 48 | | 83½ | 47½ | 1,174 | 6.8 | 7.9 |
| 6¼p Net Pf | | 97½xd | +1½ | 132½ | 94½ | – | 8.3 | – |
| Hay (N) | † | 42½ | | 85½ | 33½ | – | 5.3 | 8.1 |
| Headway | | 34 | | 83½ | 25 | – | 7.4 | 4.5 |
| Hill & Smith | | 47½xd | | 71½ | 30½ | 23 | 9.9 | 18.8 |
| Howle Hldgs | | 28½ | | 38½ | 23½ | – | 3.5 | 8.2 |
| Hydro Intl | | 17½ | | 29½ | 16½ | – | – | 20.6 |
| IMI | | 252 | +17 | 532 | 194 | 3,769 | 6.1 | 8.0 |
| Kelsey Inds | | 435xd | | 495 | 250 | – | 8.6 | 7.2 |
| Kobe Steel Y | | 38¼ | –¼ | 59 | 38¼ | – | 2.8 | – |
| L Gardner | | 316 | | 335 | 245 | – | 3.2 | 12.4 |
| Lincat | | 392½xd | –1 | 418 | 277½ | – | 4.4 | 9.7 |
| Locker | | 12½ | –¼ | 31¼ | 12½ | – | 10.0 | 3.6 |
| MS Intl | † | 19½ | –1 | 23½ | 17½ | – | 5.8 | 5.6 |
| Mackie Intl | | 9½d | | 15½ | 9½ | – | – | – |

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## FOOD PRODUCERS

## FOOD PRODUCERS - Continued

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Continued

## HOUSEHOLD GOODS & TEXT

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Continued

Net asset values supplied by Lipper
See guide to London Share Service

## INV TRUSTS SPLIT CAPITAL

# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MEDIA - Continued

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PROPERTY

## PROPERTY - Continued



## PROPERTY - Continued

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SUPPORT SERVICES

## SUPPORT SERVICES - Continued

## TELECOMMUNICATIONS

## TOBACCO

## TRANSPORT

## TRANSPORT - Continued

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Barlow R | ♣ | [illegible] | [illegible] | [illegible] | [illegible] | - | 4.2 | 6.7 |
| Investec Group | | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| Investec Hldgs | | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| SA Breweries R | | [illegible] | [illegible] | [illegible] | [illegible] | - | 3.8 | 14.4 |
| Standard Bank R | | [illegible] | [illegible] | [illegible] | [illegible] | - | 2.9 | - |
| Tiger Oats | | 825 | - | 950 | 375 | - | 2.8 | 12.4 |
| Tongaat-Hulett R | | 311 | -18¾ | 745¾ | 397¾ | - | 6.7 | 5.6 |

## TRADED INDEX SECURITIES

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| FTSE 100 TRAINS | | £57800xd | --- | £62220 | £47700 | - | - | - |

# AIM

## Alternative Investment Market

*The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list*

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 10 Group | | 1 | - - | 3¼ | 0¾ | - | - | - |
| AFA Systems | | 98½ | --- | 191 | 74½ | - | - | - |
| AMCO | | 95 | --- | 128½ | 93½ | - | 9.2 | 7.1 |
| ATA | | 95xd | +2¼ | 157½ | 93½ | - | 7.6 | 7.7 |
| AdVal Group | | 44½ | --- | 67½ | 44½ | - | - | 7.6 |
| Access Plus | ♣v | 238 | --- | 271 | 175 | - | 2.8 | ϕ |
| African Gold | ♣ | 2¼ | --- | 8¼ | 2 | - | - | - |
| Albemarle & Bond | ♣† | 71½xd | --- | 95½ | 41½ | - | 2.2 | 18.3 |
| Allzyme | ♣ | 28½ | -1 | 43½ | 24 | - | - | - |
| Ambient Media | | 80½ | +½ | 102½ | 42½ | - | - | - |
| Ambishus Pub Co | ♣ | 117½ | --- | 290 | 88½ | - | - | 15.2 |
| Anglo Siberian Oil Co | | 91 | - - | 108½ | 88½ | - | - | - |
| Anglo-Welsh | ♣ | 107½ | --- | 118 | 72½ | - | 3.5 | 8.8 |
| Antonov | ♣ | 50½ | --- | 117½ | 50 | - | - | ϕ |

## AIM - Continued

## GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2 1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- . Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates
f Dividend/yield adjusted for complex issue
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
r Dividend/yield includes amount payable after 6/4/99
z Dividend yield includes a special payment
F Yield based on prospectus or other offical estimates for 1998-99.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1999
K Yield based on prospectus or other offical estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other offical estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
P Dividend/yield adjusted for consolidation or share split
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion

## ♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 60p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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For Retail Price Index details call 0986 843 0085

## The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

## LONDON STOCK EXCHANGE

# Footsie holds steady ahead of Brown Budget

**MARKET REPORT**

By Steve Thompson, UK Stock Market Editor

The burst of buying interest in London's stock market triggered by Friday's US employment report mostly petered out yesterday with investors waiting for today's UK government Budget.

Some observers were surprised at London's reluctance to push ahead and challenge its intra-day and closing records, given the extent of Wall Street's strength on Friday, when the Dow Jones Industrial Average raced up 268 points to a new peak.

Others pointed to the imminent Budget, and also noted the unimpressive performance by Tokyo and Hong Kong, Asia's two most important markets.

The Dow's surge was a reflection of growing hopes that the US Federal Reserve's open market committee will leave US interest rates on hold after its March 30 meeting.

After a session of erratic moves, the FTSE 100 index eventually settled a fraction higher at 6,208.8, up 3.3.

The small gain came despite a bout of profit-taking on Wall Street that saw the Dow retreat from its record close and trade 30 points lower shortly after London closed.

The Footsie put on a choppy performance that saw it trade in a 60-point arc. Its closing performance would have been 10 points better but for the impact of dividend payments.

At its best, shortly before Wall Street came in, the index hit a session high of 6,234.5, only 85 points away from its intra-day record, only to slip back at the close. Earlier the index had nudged ahead before slipping back to post a 30-point decline in mid-morning.

In common with recent performances, the second and third-line indices, the FTSE 250 and SmallCap, both displayed a much more consistent performance over the session, making good progress all day and finishing a fraction off their best levels.

The FTSE 250 closed 10.8 higher at 5,359.2, after 5,363.4, while the SmallCap moved up another 11.4 to 2,315.8, after 2,316.3.

Bracing themselves for today's Budget, always a tense moment for market operators, dealers said the overall feeling was that there would be few big surprises in the third financial package of Gordon Brown, chancellor of the exchequer.

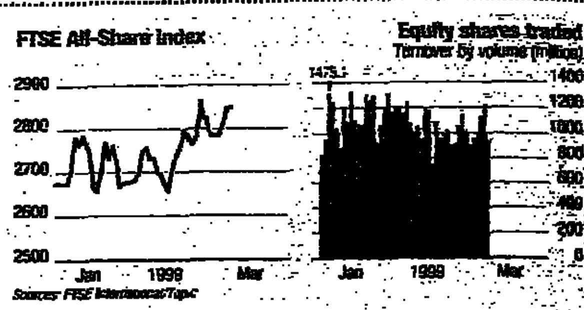
"If, as expected, there are no real shocks, I would expect London to keep a steady course, with the buyers fuelled by expectations of a rush of [personal equity plan] cash into the market. But there is always the worry the chancellor will light some fireworks and surprise us all," said a senior marketmaker at a leading European investment bank.

The sequence of takeover bids in the chemicals area was increased as Albright & Wilson rose sharply in the wake of the agreed bid from Albemarle of the US.

A long list of company results was seen as mostly positive with the engineering sector, a strong performer in recent months as overseas bidders stalked the UK market, given another big boost by top-of-the-range figures from IMI.

Turnover was 944m shares by the 6pm count, unusually good for a Monday, with non-FTSE 100 stocks making 54 per cent of the total.

**FTSE All-Share Index** / **Equity shares traded** Turnover by volume (million)



Source: FTSE International/Topic

**Indices and ratios**

| | | |
|---|---|---|
| FTSE 100 | 6208.8 | +3.3 |
| FTSE 250 | 5359.2 | +10.8 |
| FTSE 350 | 2946.6 | +2.3 |
| FTSE All-Share | 2848.79 | +2.75 |
| FTSE All-Share yield | 2.60 | 2.60 |
| FT 30 | 3770.9 | +3.1 |
| FTSE Non-Fins p/e | 24.85 | 24.51 |
| FTSE100 Fut Mar | 6208.0 | +9.0 |
| 10 yr Gilt yield | 4.76 | 4.84 |
| Long gilt/equity yld ratio | 1.79 | 1.78 |

**Best performing sectors**

1 Health Care +2.3
2 Pharmaceuticals +1.8
3 Consumer Goods +1.4
4 Alcoholic Beverages +1.3
5 Household Goods & Texts +1.1

**Worst performing sectors**

1 Paper, Pckg & Printing -1.5
2 Retailers/Food -1.4
3 Distributors -1.3
4 Life Assurance -1.3
5 Gas Distribution -1.2

# WPP put in spotlight

**COMPANIES REPORT**

By Peter John and Joel Kibazo

Advertising giant WPP headed towards the top of the list of Footsie outperformers yesterday as a substantial recommendation combined with some vague talk of corporate activity.

WestLB Panmure highlighted the stock as it published a substantial media bible yesterday.

The two-volume overview cited WPP as one of its three core holdings in the sector, all world leaders in their area.

Furthermore, WPP has been building up a big stake in Tempus, the independent media buyer, and there has been some rumour about a link-up between the two.

Shares in the group, which owns the advertising agencies J. Walter Thompson and Ogilvy & Mather, and which saw gross billings exceed £8bn last year for the first time since it was formed in the mid-1980s, jumped 19¾ to 526½p on turnover of 4m. Tempus rose 7½ to 251½p.

WestLB also recommended Reuters Group, which gained 18½ to 902p ahead of a conference today to outline its new strategy.

Elsewhere in the sector Reed International dipped 20 to 580¼ ahead of full-year figures on Thursday, which are broadly expected to be flat on the year at £413m.

Pearson, which owns the Financial Times and reports tomorrow, gained 30 to £14.31 with positive comments coming from Lehman Brothers and Collins Stewart.

Yesterday's first day of official dealings in South African Breweries saw shares in Africa's drinks giant move up 20 to 485p, with index funds said to have been among the day's buyers.

Followers of the stock expect the group to secure a place in the FTSE 100 when the FTSE equity indices committee meets tomorrow. Its decision will be based on Tuesday's share price close.

Conditional trading in the stock started last week at 428p, sending the shares firmly ahead.

Demand for the stock as the company met brokers and financial institutions in the City yesterday prompted one analyst to say: "At this level, I think the company will be in the FTSE 100. Its supporters have done a very good job."

But one bear of the stock said: "It will see buyers by virtue of being in the FTSE 100 but the question now is how long it can survive in the listings given the fears there are around this stock."

Investors in information technology are also hoping Wednesday's meeting will see the return of Misys to the index, after it lost its place in December after only two quarters.

Buyers yesterday helped the shares improve 11¼ to 637p.

The much-vaunted offer for Albright & Wilson hit the market yesterday. But it was a day later than expected and came from an unforeseen source.

Dealers said that, unlike Albright, agreed bidder Albemarle of the US was not significant in the phosphate industry and, therefore, there was every chance a counter-bidder might still top Albemarle's 130p-a-share offer.

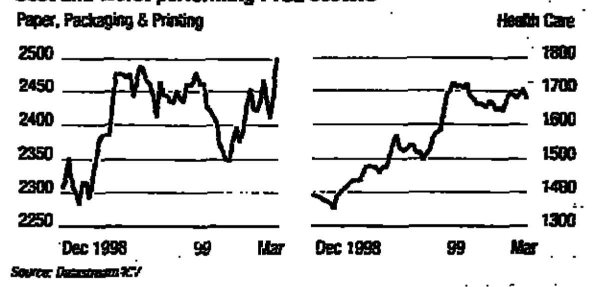
"We are still buyers at this price," said Martin Evans of Sutherlands.

Nevertheless, CSFB was busily picking up stock at the bid price on behalf of Albemarle and, by the close, nearly 70m shares had changed hands in the chemicals group. Factoring in the two-way business that the volume represented, more than 10 per cent of the company changed hands. Albright closed 19½ higher at 129½p.

The latest salvoes in the supermarket price war prompted selling in leading constituents of the food retailers.

**Best and worst performing FTSE sectors**

Paper, Packaging & Printing / Health Care



Source: Datastream/ICV

### Asda shares ease

Asda Group kicked off the latest round in the battle for market share and a two-way pull in the stock brought turnover of 11m as the shares eased ½ to 147½p.

Yesterday it was the turn of Somerfield to introduce price cuts and promotions. The shares fell 14½ to 373p.

Those of J Sainsbury declined 8½ to 352¾p and Tesco eased 1¼ to 163¾p after trade of 10m as dealers pointed to a 12-month relative low for the stock.

Figures at the top end of market expectations from engineering group IMI powered the shares and triggered a wave of profit upgrades.

Pre-exceptional profits were £152.2m in the year to the end of December 1998 against forecasts in a range between £147.6m and £152m.

The shares jumped 17 or 7.2 per cent to 252p, as brokers upgraded current-year profit expectations to between £150m and £152m from previous forecasts of around the £147m mark.

Merrill Lynch was reported to have set a 350p near-term share price target.

In the rest of the sector, BBA Group, which reports full-year figures today, rose 18 to 446½p, after announcing plans for a £50m investment in China.

Hard-pressed packaging group Bunzl shrugged off some heavy institutional selling to record a rise of 10½ at 240p on the back of strong figures.

The company announced pre-exceptional profits of £132.2m against £123.7m last time and a recommended cash bid of about £28.5m for Provend, the business support services group.

However, there was a drag on the stock after Scottish Widows disposed of 5.4m shares on Friday, just over one per cent.

Bunzl improved 10½ to 240p with Panmure recommending it up to 400p while Provend fell 2½ to 160½p.

Royal & Sun Alliance jumped 22¾ to 589p, on last weeks post-results gain. Some brokers believe the company will not be independent in 12 months' time.

Shares in business services group Rentokil Initial tumbled as dealers reported switching out of the stock and into Hays.

Figures from the group published last week showed Rentokil had missed its own growth targets last year, boosting earnings per share by 18.4 per cent instead of the 20 per cent it aimed for.

Shares in the former fell 23 or nearly 6 per cent to 365p, the worst performer in the FTSE 100, while Hays closed up 13¾ at 676¼p.

There was little hope of saving Tomkins from being ejected from the Footsie when the indices committee meets tomorrow. The shares fell 10 to 210p.

Tomkins yesterday said it had completed the sale of theJust Juice business to Del Monte Royal Corp for £10.5m

## FT 30 INDEX

| | Mar 8 | Mar 5 | Mar 4 | Mar 3 | Mar 2 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3770.9 | 3767.8 | 3742.3 | 3728.3 | 3714.3 | 3700.3 | 4004.9 | 2790.6 |
| Ord. div. yield | 2.75 | 2.76 | 2.78 | 2.80 | 2.81 | 2.98 | 4.22 | 2.72 |
| P/E ratio net | 23.09 | 23.02 | 22.82 | 22.63 | 22.55 | 23.82 | 25.41 | 15.80 |
| P/E ratio nil | 23.02 | 22.96 | 22.76 | 22.57 | 22.49 | 23.61 | 25.19 | 15.71 |

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35.

**FT 30 hourly changes**

| 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|
| 3767.8 | 3775.9 | 3761.1 | 3766.2 | 3764.0 | 3774.7 | 3766.8 | 3770.4 | 3784.2 | 3749.2 |

 *For 1998/99.

## STOCK MARKET TRADING DATA

| | Mar 8 | Mar 5 | Mar 4 | Mar 3 | Mar 2 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 86,250 | 88,415 | 77,806 | 75,015 | 74,656 | na |
| Equity turnover (£m)† | - | - | 3683.4 | 3909.0 | 3859.7 | na |
| Equity bargains† | - | - | 61,246 | 61,523 | 63,788 | na |
| Shares traded (m)† | - | - | 925.7 | 982.7 | 987.3 | na |
| Total market bargains‡ | - | 85,917 | 76,049 | 73,251 | 75,320 | - |
| Total turnover (£m)‡ | - | 5675.5 | 4904.7 | 4853.0 | 4941.6 | - |
| Total shrs traded (m)‡ | *944.0 | 1263.9 | 1172.8 | 1171.2 | 1219.5 | - |
| Tradepoint turnover (£m) | 25.0 | 29.3 | 22.4 | 20.9 | 31.6 | 52.7 |
| Tradepoint shrs traded(m) | 10.6 | 12.4 | 10.4 | 9.9 | 14.0 | 9.2 |

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

**London market data**

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 961 | Total Highs | 79 | Total contracts | 28,251 |
| Total Falls | 546 | Total Lows | 40 | Calls | 14,715 |
| Same | 1,341 | | | Puts | 13,536 |

Mar 8 *Data based on Equity shares listed on the London Share Service.


## FUTURES AND OPTIONS

[illegible]

## LONDON RECENT ISSUES: EQUITIES

[illegible]

## RIGHTS OFFERS

[illegible]

## FTSE GOLD MINES INDEX

[illegible]

## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | £ Stlg Mar 8 | Day's chge% | Euro Index | £ Stlg Mar 5 | Year ago | Gross yield% | Net yield% |
|---|---|---|---|---|---|---|---|
| FTSE 100 | 6208.8 | +0.1 | 7143.2 | 6205.5 | 5818.9 | 2.56 | 2.28 |
| FTSE 250 | 5359.2 | +0.2 | 6165.7 | 5348.4 | 5257.9 | 3.12 | 2.75 |
| FTSE 250 ex Inv Tr | 5397.5 | +0.2 | 6209.8 | 5384.6 | 5291.8 | 3.23 | 2.86 |
| FTSE 350 | 2946.6 | +0.1 | 3390.0 | 2944.3 | 2782.1 | 2.85 | 2.36 |

[illegible]

**FTSE Actuaries Industry Sectors**

[illegible]

**Hourly movements**

[illegible]

## TRADING VOLUME

**Major Stocks yesterday**

[illegible]

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE (EMU) Prices in €

AUSTRIA (Mar 8 / 1 € = 13.76030 Sch)

BELGIUM/LUX (Mar 8 / 1 € = 40.33990 Frs)

FINLAND (Mar 8 / 1 € = 5.94573 Mka)

FRANCE (Mar 8 / 1 € = 6.55957 Frs)

GERMANY (Mar 8 / 1 € = 1.95583 Dm)

IRELAND (Mar 8 / 1 € = 0.78756 Punt)

ITALY (Mar 8 / 1 € = 1936.27000 Lire)

NETHERLANDS (Mar 8 / 1 € = 2.20371 Fl)

PORTUGAL (Mar 8 / 1 € = 200.48200 Esc)

SPAIN (Mar 8 / 1 € = 166.38600 Pts)

## EUROPE (NON-EMU)

CZECH REP (Mar 8 / Koruna)

DENMARK (Mar 8 / Kr)

GREECE (Mar 8 / Drachma)

NORWAY (Mar 8 / Kroner)

POLAND (Mar 8 / Zloty)

SWEDEN (Mar 8 / Kronor)

SWITZERLAND (Mar 8 / Frs.)

TURKEY (Mar 8 / Tk. Lira)

## PACIFIC

JAPAN (Mar 8 / Yen)

HONG KONG (Mar 8 / H.K.$)

INDONESIA (Mar 8 / Rupiah)

MALAYSIA (Mar 8 / MYR)

NEW ZEALAND (Mar 8 / NZ $)

AUSTRALIA (Mar 8 / Aust$)

SINGAPORE (Mar 8 / S$)

SOUTH KOREA (Mar 8 / Won)

TAIWAN (Mar 8 / TW $)

THAILAND (Mar 8 / Baht)

## AFRICA

SOUTH AFRICA (Mar 8 / Rand)

## AMERICAS

CANADA

TORONTO (Mar 8 / Can $) 4 pm close

MONTREAL (Mar 8 / Can $) 4 pm close

MEXICO (Mar 8 / Peso) 12 30 pm



## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY MARCH 5 1999 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY MARCH 4 1999 US Dollar Index | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (75) | 208.39 | 1.4 | 191.96 | 161.06 | 221.15 | 220.59 | 0.6 | 3.37 | 205.52 | 189.52 | 160.31 | 218.53 | 219.32 | 219.96 | 163.86 | 206.33 |
| Austria (21) | 180.05 | 2.3 | 165.85 | 139.16 | 168.60 | 168.60 | 2.1 | 1.98 | 175.94 | 162.24 | 137.24 | 165.07 | 165.07 | 253.73 | 165.27 | 202.49 |
| Belgium (22) | 378.14 | 2.1 | 348.32 | 292.26 | 346.69 | 345.69 | 1.9 | 1.94 | 370.51 | 341.67 | 289.01 | 340.36 | 340.36 | 446.95 | 279.30 | 279.30 |
| Brazil (29) | 108.08 | 6.8 | 99.55 | 83.53 | 114.70 | 393.90 | 0.5 | 5.89 | 101.18 | 93.30 | 78.92 | 107.58 | 392.03 | 269.34 | 89.32 | 244.00 |
| Canada (113) | 201.58 | 3.1 | 185.68 | 155.60 | 213.93 | 221.22 | 2.5 | 1.80 | 195.47 | 180.26 | 152.47 | 207.85 | 215.92 | 248.78 | 159.94 | 228.28 |
| Denmark (34) | 429.84 | 0.8 | 395.94 | 332.22 | 456.16 | 400.35 | 0.5 | 1.74 | 426.64 | 393.44 | 332.79 | 453.65 | 398.50 | 537.33 | 420.12 | 454.30 |
| Finland (29) | 631.27 | 3.7 | 581.48 | 487.90 | 725.95 | 725.95 | 3.5 | 1.55 | 608.64 | 561.27 | 474.78 | 701.29 | 701.29 | 661.25 | 338.49 | 342.39 |
| France (74) | 316.81 | 2.6 | 291.82 | 244.86 | 300.43 | 300.43 | 2.4 | 2.05 | 308.89 | 284.85 | 240.94 | 293.49 | 293.49 | 354.45 | 253.86 | 263.19 |
| Germany (55) | 248.42 | 3.4 | 228.83 | 192.00 | 232.80 | 232.80 | 3.2 | 1.66 | 240.21 | 221.51 | 187.37 | 225.54 | 225.54 | 325.61 | 226.35 | 246.25 |
| Greece (36) | 387.53 | 0.9 | 356.96 | 299.51 | 411.26 | 823.82 | 0.7 | 1.04 | 383.93 | 354.04 | 299.47 | 408.23 | 818.19 | 429.65 | 211.47 | – |
| Hong Kong, China (66) | 294.18 | 2.8 | 270.98 | 227.37 | 312.20 | 282.65 | 2.7 | 4.14 | 286.32 | 264.04 | 223.34 | 304.45 | 284.87 | 362.52 | 196.64 | 339.16 |
| Indonesia (24) | 45.82 | –2.1 | 42.20 | 35.41 | 48.62 | 249.73 | –2.4 | 1.16 | 46.80 | 43.16 | 36.51 | 49.76 | 255.81 | 64.52 | 19.04 | 45.88 |
| Ireland (14) | 535.50 | 1.5 | 493.26 | 413.88 | 547.67 | 547.67 | 1.4 | 1.83 | 527.36 | 486.31 | 411.35 | 540.39 | 540.39 | 605.85 | 396.15 | 474.77 |
| Italy (53) | 169.06 | 3.6 | 155.73 | 130.67 | 225.31 | 225.31 | 3.4 | 1.44 | 183.25 | 150.54 | 127.34 | 217.98 | 217.98 | 192.84 | 128.68 | 139.30 |
| Japan (445) | 97.84 | 4.8 | 90.12 | 75.62 | 103.83 | 75.62 | 3.9 | 0.98 | 93.31 | 86.05 | 72.79 | 99.22 | 72.79 | 104.84 | 76.83 | 103.96 |
| Mexico (29) | 1265.37 | 3.2 | 1165.58 | 977.98 | 1342.85 | 13644.63 | 2.4 | 1.88 | 1226.12 | 1130.69 | 956.41 | 1303.75 | 13321.33 | 1733.73 | 787.15 | 1569.88 |
| Netherlands (26) | 482.66 | 3.0 | 444.59 | 373.04 | 447.40 | 447.40 | 2.8 | 2.14 | 468.58 | 432.11 | 365.50 | 435.20 | 435.20 | 562.73 | 394.92 | 451.74 |
| New Zealand (18) | 64.08 | 0.9 | 59.03 | 49.53 | 68.01 | 64.16 | 0.3 | 4.39 | 63.52 | 58.58 | 49.55 | 67.54 | 63.97 | 77.84 | 45.68 | 75.82 |
| Norway (37) | 232.05 | 3.3 | 213.74 | 179.34 | 246.26 | 246.93 | 2.7 | 1.93 | 224.65 | 207.18 | 175.23 | 238.87 | 242.28 | 357.71 | 181.86 | 307.89 |
| Philippines (22) | 88.38 | 1.1 | 81.41 | 68.31 | 93.79 | 172.44 | 1.0 | 0.94 | 87.43 | 80.63 | 68.20 | 92.97 | 170.80 | 106.98 | 42.48 | 93.35 |
| Portugal (18) | 238.53 | 1.2 | 219.72 | 184.35 | 301.65 | 301.65 | 1.0 | 1.09 | 235.73 | 217.38 | 183.88 | 298.70 | 298.70 | 299.39 | 194.13 | – |
| Singapore (40) | 207.61 | 1.1 | 191.23 | 160.46 | 220.32 | 165.27 | 0.8 | 1.68 | 205.30 | 189.32 | 160.14 | 218.29 | 164.21 | 246.74 | 102.45 | 211.70 |
| South Africa (35) | 200.89 | 2.0 | 185.05 | 155.27 | 213.19 | 272.67 | 1.5 | 3.49 | 197.05 | 181.72 | 153.71 | 209.53 | 268.54 | 346.20 | 151.55 | 272.61 |
| Spain (30) | 377.32 | 1.9 | 347.56 | 291.62 | 438.32 | 438.32 | 1.7 | 1.58 | 370.16 | 341.35 | 288.74 | 430.85 | 430.85 | 435.19 | 290.81 | 330.60 |
| Sweden (43) | 517.76 | 2.2 | 476.92 | 400.17 | 549.47 | 630.86 | 1.7 | 1.96 | 506.55 | 467.12 | 395.12 | 538.61 | 620.38 | 628.19 | 379.18 | 515.94 |
| Switzerland (30) | 394.73 | 1.5 | 363.60 | 305.08 | 418.90 | 359.07 | 1.4 | 1.19 | 388.78 | 358.52 | 303.26 | 413.39 | 353.93 | 441.65 | 307.73 | 377.93 |
| Thailand (31) | 21.00 | 0.5 | 19.34 | 16.23 | 22.28 | 30.54 | –0.4 | 2.95 | 20.90 | 19.27 | 16.30 | 22.22 | 30.68 | 33.84 | 8.15 | 30.02 |
| United Kingdom (201) | 388.31 | 1.7 | 357.68 | 300.12 | 412.09 | 357.68 | 1.6 | 2.69 | 381.66 | 351.95 | 297.71 | 405.82 | 351.95 | 401.84 | 307.98 | 365.75 |
| USA (612) | 526.14 | 2.2 | 484.64 | 406.65 | 558.36 | 526.14 | 2.2 | 1.25 | 514.56 | 474.50 | 401.37 | 547.13 | 514.56 | 527.72 | 390.12 | 422.54 |
| Americas (783) | 466.22 | 2.3 | 429.45 | 360.33 | 494.77 | 395.84 | 2.2 | 1.29 | 455.72 | 420.25 | 355.48 | 484.57 | 387.22 | 467.90 | 347.59 | 383.19 |
| Europe (723) | 349.81 | 2.3 | 322.22 | 270.36 | 371.23 | 335.25 | 2.1 | 2.05 | 341.91 | 315.29 | 266.70 | 363.55 | 328.23 | 386.24 | 282.63 | 320.10 |
| Eurobloc (342) | 98.79 | 2.9 | 91.00 | 76.35 | 100.19 | 100.19 | 2.7 | 1.80 | 95.89 | 88.52 | 74.87 | 97.55 | 97.55 | 113.92 | 81.53 | – |
| Nordic (143) | 497.17 | 2.5 | 457.96 | 384.26 | 527.62 | 523.79 | 2.1 | 1.81 | 485.12 | 447.38 | 378.41 | 515.83 | 513.10 | 555.97 | 360.04 | 449.40 |
| Pacific Basin (721) | 105.80 | 4.2 | 97.46 | 81.77 | 112.28 | 83.91 | 3.4 | 1.51 | 101.54 | 93.64 | 79.20 | 107.97 | 81.20 | 114.16 | 82.88 | 113.28 |
| Euro-Pacific (1444) | 207.22 | 2.8 | 190.88 | 160.16 | 219.91 | 178.31 | 2.5 | 1.89 | 201.48 | 185.79 | 157.16 | 214.23 | 173.99 | 221.79 | 166.00 | 198.54 |
| North America (725) | 504.04 | 2.3 | 464.29 | 389.56 | 534.91 | 505.04 | 2.3 | 1.27 | 492.80 | 454.44 | 384.40 | 524.00 | 493.89 | 506.43 | 374.92 | 410.20 |
| Europe Ex. UK (522) | 319.74 | 2.6 | 294.52 | 247.12 | 339.32 | 314.43 | 2.4 | 1.71 | 311.59 | 287.34 | 243.05 | 331.32 | 307.03 | 366.32 | 260.93 | 298.21 |
| Europe Ex. Eurobloc (381) | 97.86 | 1.7 | 90.14 | 75.63 | 103.85 | 100.46 | 1.6 | 2.29 | 96.21 | 88.72 | 75.04 | 102.30 | 98.91 | 103.93 | 77.40 | – |
| Europe Ex. UK Ex. Eurobloc (180) | 95.56 | 1.7 | 88.03 | 73.86 | 101.42 | 96.54 | 1.4 | 1.42 | 94.01 | 86.69 | 73.33 | 99.96 | 95.17 | 109.21 | 75.16 | – |
| Pacific Ex. Japan (276) | 181.81 | 1.8 | 167.47 | 140.52 | 192.95 | 185.67 | 1.4 | 3.51 | 178.58 | 164.68 | 139.30 | 188.88 | 184.18 | 216.04 | 128.26 | 200.82 |
| World Ex. Eurobloc (1920) | 107.15 | 2.5 | 98.69 | 82.81 | 113.71 | 107.03 | 2.3 | 1.51 | 104.57 | 96.43 | 81.56 | 111.19 | 104.64 | 108.05 | 83.09 | – |
| World Ex. US (1650) | 206.69 | 2.9 | 190.39 | 159.75 | 219.34 | 183.26 | 2.5 | 1.92 | 200.91 | 185.27 | 156.72 | 213.63 | 178.85 | 221.91 | 185.95 | 202.97 |
| World Ex. UK (2061) | 302.07 | 2.6 | 278.25 | 233.47 | 320.57 | 274.92 | 2.4 | 1.43 | 294.33 | 271.42 | 229.59 | 312.97 | 268.39 | 311.48 | 236.11 | 264.97 |
| World Ex. Japan (1817) | 414.69 | 2.3 | 381.98 | 320.51 | 440.09 | 411.15 | 2.2 | 1.82 | 405.41 | 373.85 | 316.23 | 431.07 | 402.36 | 427.99 | 320.58 | 358.33 |
| The World Index (2262) | 309.50 | 2.5 | 285.09 | 239.21 | 328.45 | 282.51 | 2.4 | 1.56 | 301.85 | 278.35 | 235.45 | 320.96 | 276.03 | 318.51 | 242.38 | 273.50 |

 CONSTITUENT CHANGES WITH EFFECT 8/3/99: Deletion: SA Breweries (South Africa); Addition: SA Breweries (UK) (Medium SmallCap).

## Emerging markets: IFC investable indices

Dollar terms

4 pm close March 8

# NEW YORK STOCK EXCHANGE PRICES

## - X - Y - Z -

| 52 week High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 63 | 33¼ | Xerox x | 0.80 | 1.4 | 23 | 26808 | 57⅞ | 54½ | 57⅝ | +3⅝ |
| 83⅞ | 58½ | XL Cap | 1.76 | 2.9 | 9 | 1472 | 61 | 60¼ | 60⅝ | [illegible] |
| 66 | 37½ | Xtra Corp | | | 10 | 189 | 38¾ | 38⅜ | 38½ | [illegible] |
| 31 | 22½ | Yankee Egy x | 1.38 | 5.5 | 22 | 109 | 25¼ | 24⅞ | 25 | [illegible] |
| 52 | 27½ | York Int | 0.48 | 1.3 | 10 | 1161 | 37 | 36¼ | 36½ | [illegible] |
| 24 | 6⅛ | Zapata | | | 3 | 344 | 8¾ | 8⅝ | 8 | [illegible] |
| 50 | 31 | Zeneca | 0.80 | 2.0 | 32 | 4343 | 40½ | 40 | 40⅞ | [illegible] |
| 30½ | 20 | Zenith Nat | 1.00 | 4.0 | 19 | 134 | 25 | 25 | 25 | [illegible] |
| 8 | 5 | Zenix Inc | 0.67 | 11.3 | | 295 | 6 | 5 | 5 | |
| 14 | 8 | ZweigFd | 1.06 | 10.5 | | 898 | 10 | 10 | 10 | |
| 9 | 8 | Zweig Tot | 0.84 | 10.1 | | 650 | 8⅜ | 8 | 8 | [illegible] |

*Price data supplied by Financial Times Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
# Dealings suspended.



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# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Mar 5 | Mar 4 | Mar 3 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 9736.08 | 9467.40 | 9275.88 | 9736.08 (5/3/99) | 7539.07 (31/8/98) | 9736.08 (5/3/99) | 41.22 (8/7/32) |
| Home Bonds | 104.41 | 104.05† | 104.34 | 107.17 (9/12/98) | 104.13 (25/2/99) | 107.17 (9/12/98) | 54.99 (1/10/81) |
| Transport | 3312.79 | 3255.18 | 3248.68 | 3686.02 (16/4/98) | 2345.00 (8/10/98) | 3686.02 (16/4/98) | 13.23 (8/7/32) |
| Utilities | 301.61 | 297.11 | 292.97 | 320.51 (8/10/98) | 262.66 (9/1/98) | 320.51 (8/10/98) | 16.53 (8/7/32) |

DJ Ind. Day's High 9793.92(9549.99) Low 9558.41 (9272.08) (Theoretical)
Day's High 9738.70(9480.71) Low 9467.67 (9275.72) (Actual)

| Standard and Poors | Mar 5 | Mar 4 | Mar 3 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1275.47 | 1246.64 | 1227.70 | 1279.64 (29/1/99) | 927.69 (9/1/98) | 1279.64 (29/1/99) | 4.40 (1/6/32) |
| Industrials♥ | 1527.83 | 1492.81 | 1471.29 | 1551.65 (29/1/99) | 1077.40 (9/1/98) | 1551.65 (29/1/99) | 3.52 (30/6/32) |
| Financial♥ | 140.50 | 137.33 | 134.82 | 147.89 (14/7/98) | 95.80 (8/10/98) | 147.89 (14/7/98) | 7.13 (4/9/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 603.14 | 590.75 | 582.55 | 611.06 (8/1/99) | 477.20 (8/10/98) | 611.06 (8/1/99) | 4.64 (25/4/42) |
| Amex Comp | 707.41 | 698.52 | 694.45 | 753.67 (22/4/98) | 583.75 (8/10/98) | 753.67 (22/4/98) | 524.20 (16/7/96) |
| NASDAQ Cmp | 2337.11 | 2292.89 | 2265.20 | 2510.09 (1/2/99) | 1419.12 (8/10/98) | 2510.09 (1/2/99) | 54.87 (3/10/74) |
| Russell 2000 | 398.01 | 394.02 | 391.95 | 491.41 (21/4/98) | 310.28 (8/10/98) | 491.41 (21/4/98) | 133.36 (7/12/93) |

### RATIOS

| | Mar 5 | Feb 26 | Feb 19 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.59 | 1.67 | 1.63 | |
| | Mar 3 | Feb 24 | Feb 17 | Year ago |
| S & P Ind. Div. yield | 1.17 | 1.14 | 1.19 | 1.36 |
| S & P Ind. P/E ratio | 38.32 | 38.67 | 37.72 | 28.76 |

## US DATA

### MARKET ACTIVITY

| Volume (million) | Mar 8 | Mar 5 | Mar 4 |
|---|---|---|---|
| NYSE | 709.812 | 694.950 | 774.802 |
| Amex | 22.942 | 26.038 | 24.716 |
| NASDAQ | 969.117 | 864.844 | 887.654 |

| NYSE | Mar 8 | Mar 5 | Mar 4 |
|---|---|---|---|
| Issues Traded | 3,537 | 3,540 | 3,496 |
| Rises | 1,359 | 2,065 | 1,710 |
| Falls | 1,595 | 916 | 1,186 |
| Unchanged | 583 | 559 | 600 |
| New Highs | 81 | 83 | 29 |
| New Lows | 55 | 40 | 85 |

### NYSE TRADING ACTIVITY

Volume : 709,812,570

ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Compaq | 20,030,500 | 34¾ | +¼ |
| AmOnLne | 10,956,100 | 90⅞ | +4¼ |
| AllWstnd | 8,871,400 | 16⅞ | +1⅞ |
| AT&T | 7,525,800 | 88 | +¼ |
| MicrnTech | 6,084,900 | 56⅞ | −3⅞ |
| LucentTch | 6,021,200 | 107¾ | +3¼ |
| GenElec | 5,853,400 | 104⅞ | +1½ |
| Citgrp | 5,776,000 | 62¼ | +¼ |
| Merck | 5,771,300 | 82⅞ | +⅞ |
| PhilMorr | 4,967,800 | 39¾ | −⅛ |

BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| AllWstnd | 16⅞ | +1⅞ | +12.9 |
| CarterWal | 19 | +2¼ | +12.2 |
| AutoBkIns | 52 | +5⅝ | +12.1 |
| BrFerr | 38¼ | +4⅛ | +11.9 |
| UnPcRs | 10⅞ | +⅞ | +10.1 |
| Solectron | 47½ | +4⅜ | +10.1 |
| Downs | | | |
| Pulte | 23⅞ | −1⅞ | −8.5 |
| Unova | [illegible] | [illegible] | −8.5 |

### NASDAQ TRADING ACTIVITY

Volume : 969,117,372

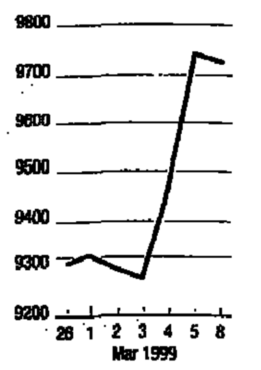
ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| DellCmp | 45,558,800 | 45⅞ | +2⅞ |
| Novell | 29,642,000 | 23⅞ | +3⅞ |
| Oracle | 19,616,900 | 38⅞ | +⅞ |
| Intel | 18,306,800 | 119⅞ | +5 |
| CiscoSys | 13,609,700 | 104⅞ | +3¾ |
| Micsft | 11,486,000 | 159 | +4⅞ |
| 3Com | 11,022,700 | 25½ | +⅞ |
| ParamT | 10,937,900 | 17½ | +2½ |
| MCIWrcm | 10,181,800 | 85⅞ | +2¾ |
| LevOne | 9,169,500 | 47⅞ | +2⅞ |

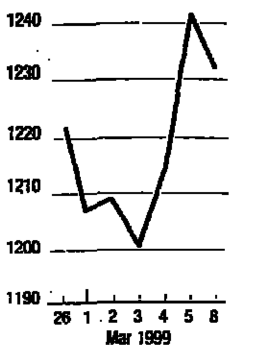
BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| CMG Info | [illegible] | [illegible] | +31.2 |
| CNET | [illegible] | [illegible] | +23.9 |
| e.spire Co | [illegible] | [illegible] | +22.0 |
| AdvEngyInd | [illegible] | [illegible] | +20.2 |
| CrosSys | [illegible] | [illegible] | +17.7 |
| Fidmcs | [illegible] | [illegible] | +17.3 |
| Downs | | | |
| CBT ADR | [illegible] | [illegible] | −19.3 |
| 800-JR Cig | [illegible] | [illegible] | −12.2 |

Dow Jones




FTSE Eurotop 300




## JAPAN

| | Mar 8 | Mar 5 | Mar 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Nikkei 225 | 14779.05 | 14894.00 | 14183.45 | 17264.3 | 12880 | 38915.9 | 85.25 |

Day's high: 15116.10. Day's low: 14779.05.

### TOKYO TRADING ACTIVITY

Volume : 649,376,000

ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| NpStl | 24,194,000 | 227 | +7 |
| DaiwaSc | 20,411,000 | 542 | +56 |
| MitHvy | 15,018,000 | 456 | +14 |
| NikkoS | 14,529,000 | 390 | +30 |
| Tshiba | 13,944,000 | 774 | +4 |
| KawStl | 9,227,000 | 187 | +1 |
| Nomura | 9,219,000 | 1005 | +23 |
| FujiBk | 9,215,000 | 487 | +4 |
| IndBk | 8,266,000 | 608 | +18 |
| FujiHvy | 8,134,000 | 822 | +54 |

BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Rengwn | 69 | +9 | +15 |
| SeibuR | 3190 | +400 | +14.3 |
| DaiwaSc | 542 | +56 | +11.5 |
| KawKan | 218 | +19 | +9.6 |
| Downs | | | |
| NpShar | 351 | −39 | −10 |
| Tosoh | 170 | −18 | −9.6 |
| OdElRw | 411 | −32 | −7.2 |
| Toei | 338 | −24 | −6.6 |

## FRANCE

| | Mar 8 | Mar 5 | Mar 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| CAC 40 | 4175.87 | 4185.56 | 4067.99 | 4388.48 | 2862.54 | 4388.48 | 984.81 |

Day's high: 4202.32. Day's low: 4148.69.

### PARIS TRADING ACTIVITY

Volume : 363,818,040

ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| ElfAqu | 1,018,500 | 109 | −2 |
| Alctel | 887,467 | 117.1 | −2.7 |
| Renault | 834,741 | 37.5 | +0.5 |
| FrTele | 795,236 | 82.35 | −0.7 |
| SocGen | 753,098 | 148.1 | +0.4 |
| Usinor | 658,744 | 11.35 | +0.33 |
| RhonPA | 643,848 | 43.37 | −0.58 |
| TotalB | 625,941 | 101.8 | −1.2 |
| Schndr | 596,715 | 50.15 | +0.65 |
| BNP | 571,636 | 78.4 | −1.8 |

BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Legrnd | 185.5 | +10.4 | +5.9 |
| Gibert | 130.4 | +6.9 | +5.6 |
| Alos | 197.5 | +10.3 | +5.5 |
| PrnRic | 57.9 | +3 | +5.5 |
| ErBSay | 129 | +5.4 | +4.4 |
| STMcro | 86 | +3.35 | +4.1 |
| Downs | | | |
| Skis R | 11.8 | −0.45 | −3.7 |
| Accor | 218.5 | −7.1 | −3.1 |

## GERMANY

| | Mar 8 | Mar 5 | Mar 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DAX | 4798.69 | 4839.09 | 4678.72 | 6171.43 | 3896.08 | 6171.43 | 931.18 |

Day's high: 4886.75. Day's low: 4785.20.

### FRANKFURT TRADING ACTIVITY

Volume : 8,706,330

ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Bayer | 398,934 | 32.8 | +1.0 |
| Siemns | 323,827 | 58.1 | −1.55 |
| Dt Tel | 254,952 | 40.5 | −0.5 |
| Lufthn | 215,577 | 19.75 | +0.05 |
| DmlrCh | 182,270 | 82.4 | −1.2 |
| BASF | 177,611 | 31.4 | −0.1 |
| Dt Bk | 158,243 | 47.05 | −1 |
| H'chst | 154,713 | 40.85 | +0.35 |
| Cmmzbk | 146,165 | 25.45 | +0.3 |
| Mannsm | 132,928 | 118.2 | −1.3 |

BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Kal&S | 127 | +7 | +5.8 |
| Hocktf | 31 | +1.5 | +5.1 |
| DidWrk | 78 | +3 | +4.1 |
| HorBmk | 26 | +1 | +4 |
| Downs | | | |
| KlockW | 62.5 | −3.5 | −5.3 |
| MAN | 24.15 | −1.25 | −4.9 |
| Nixdrf | 16.6 | −0.85 | −4.9 |
| IKB | 18 | −0.75 | −4 |

## UK

| | Mar 8 | Mar 5 | Mar 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| FTSE 100 | 6208.8 | 6205.5 | 6101.4 | 6367.6 | 4648.7 | 6367.6 | 986.9 |

Day's high: 6234.5. Day's low: 6174.6.

### LONDON TRADING ACTIVITY

Volume : 944,000,000

ACTIVE STOCKS

| Monday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Albright&Wilsn | 87,713,370 | 129½ | +19½ |
| BTR Siebe | 30,270,390 | 278 | +3 |
| Shell | 23,122,840 | 367¼ | +7½ |
| RollsRoyce | 18,013,150 | 270 | +2¼ |
| BP Amoco | 15,488,660 | 926½ | −7½ |
| Rentokil Initial | 14,342,430 | 365 | −23 |
| Premier Oil | 12,682,740 | 14¼ | +¼ |
| ASDA | 11,668,910 | 147½ | −½ |
| S'tkies Bchm | 11,134,860 | 881 | +3½ |
| Br Telecom | 10,454,500 | 1058½ | −15½ |

BIGGEST MOVERS

| Monday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Netcall | ½ | +½ | +33 |
| Methwens | 41½ | +10 | +31.8 |
| Statware | 242½ | +50 | +26 |
| Trafficmaster | 1030 | +202½ | +24.5 |
| Tops Estates | 117½ | +30 | +20.5 |
| Lon Forfeiting | 41½ | +8½ | +18.8 |
| Downs | | | |
| Corp Services | 113 | −53 | −31.9 |
| Chelftain | 52½ | −15 | −22.2 |

## INDEX FUTURES

| S&P 500 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1279.70 | 1279.00 | +0.50 | 1282.50 | 1274.80 | 130,108 | 304,207 |
| Jun | 1291.50 | 1290.00 | −0.90 | 1293.00 | 1289.00 | 24,271 | 108,601 |
| **Nikkei 225** | **Open** | **Sett price** | **Change** | **High** | **Low** | **Est. vol.** | **Open int.** |
| Mar | 14980.0 | 14770.0 | −80.0 | 15140.0 | 14760.0 | 44,543 | 135,374 |
| Jun | 14950.0 | 14710.0 | −120.0 | 15070.0 | 14700.0 | 14,057 | 117,038 |

Open interest figures for previous day.

| CAC-40 (50 x index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 4132.5 | 4200.0 | +90.0 | 4225.0 | 4120.0 | 9,370 | 322,415 |
| Jun | 4163.0 | 4188.0 | +90.0 | [illegible] | 4095.5 | 3,031 | 604 |
| **DAX** | | | | | | | |
| Mar | 4865.0 | 4785.0 | −67.5 | 4884.0 | 4766.5 | 39,549 | 240,115 |
| Jun | 4886.0 | 4810.0 | −67.5 | 4903.0 | 4792.5 | 3,629 | 138,550 |

| OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 735.00 | 723.50 | −11.0 | 735.50 | 723.50 | 15,447 | 116,578 |
| Apr | 734.00 | 725.00 | −8.75 | 734.00 | 724.50 | 2,843 | 1,427 |
| **EUREX** | | | | | | | |
| Mar | 7240.0 | 7194.0 | −22.0 | 7263.0 | 7175.0 | 17,829 | 127,083 |
| Jun | 7192.0 | 7137.0 | −24.0 | 7193.0 | 7123.0 | 1,411 | 15,271 |

## WORLD MARKETS AT A GLANCE

| Country | Index | Mar 8 | Mar 5 | Mar 4 | 1998/99 High | 1998/99 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Argentina | General | 16530.54 | 16625.93 | 16427.36 | 23485.50 23/3/98 | 12303.10 10/9/98 | 4.23 | 12.7 |
| *Was trading lower at midsession, following profit-taking on Wall Street.* | | | | | | | | |
| Australia | All Ordinaries | 2929.6 | 2902.5 | 2885.3 | 2940.50 4/2/99 | 2458.28 1/9/98 | 2.93 | 23.1 |
| | All Mining | 570.6 | 568.3 | 562.7 | 713.10 23/4/98 | 488.80 31/8/98 | | |
| *Lifted with bonds, albeit on thin volumes. NAB, Telstra and resources leaders outpaced as rises beat falls by 7 to 5.* | | | | | | | | |
| [illegible] | | | | | | | | |

# THE NASDAQ-AMEX MARKET GROUP

4 pm close March 8

[illegible]

## AMEX

4 pm close March 8

[illegible]

## EASDAQ

[illegible]

# STOCK MARKETS

# Global bourses suffer day of indecision

**WORLD OVERVIEW**

Investors in Europe and Asia endured an indecisive day, with the stock markets unwilling to follow the lead set by Wall Street on Friday when the Dow Jones Industrial Average soared 2.8 per cent to an all-time high, *writes Michael Morgan.*

Most Asian markets closed higher, although well off their best levels. Tokyo's Nikkei 225 average, however, turned back to close lower after breaching the 15,000-point level for the first time in three months.

Seoul was another exception, closing more than 6 per cent higher as firm overseas markets provided a shot in the arm to a market which had largely missed out on last week's rally.

European bourses were mixed after their strong performance on Friday, as the euro picked up more than a cent from last week's lows against the dollar.

The improvement followed comments by Hans Tietmeyer, president of the Bundesbank. He was reported as saying that the euro's weakness was one reason why the European Central Bank should not lower interest rates.

Frankfurt, Paris, Amsterdam and Zurich all posted modest losses and the Dow, at midsession, saw early strength evaporate.

More action was to be found among the small emerging markets of eastern Europe. Budapest was the stand-out winner as the Bux index shot up almost 9 per cent.

The momentum was sparked by Zsigmond Jarai, finance minister, who said January's current account deficit figure, due later in the day, would give a favourable surprise to analysts. Later, the mood became positively euphoric after publication of better than expected trade deficit figures.

The Bux's rise left Budapest well short of its best, down more than 16 per cent from January's high for this year and 35 per cent below last April's all-time high.

Meanwhile, Mark Howdle, European strategist at Salomon Smith Barney, sounded a warning that the euro-zone market could fall as much as 15 per cent within the coming three months from its February 24 high. December had seen inflows to equity mutual funds of only $2bn across Europe, he said, compared with a $6.7bn monthly average in 1998. January's inflow of $3.6bn was also well below expectations.

A heavy supply calendar lay ahead with $34bn already announced for the second quarter. But the combination of investor diffidence, and the weak euro deterring international portfolio inflows, meant demand looked weak at a time when it needed to be strong, said Mr Howdle.

# Softer Dow loses record momentum

**AMERICAS**

US shares made a mixed start to the session. Blue chips softened, but a surprise settlement between chip maker Intel and regulators helped keep computer-related shares firm, *writes John Labate in New York.*

Uncertain trading followed Friday's record-breaking rally, which sent the Dow Jones Industrial Average to a new closing high and above 9,700 for the first time.

The Intel agreement came one day ahead of the start of the government's anti-trust lawsuit against the leading chip company. Intel shares were $3⅞ higher at $118⅛.

Other chip stocks were mostly higher, with Advanced Micro Devices up $⅞ at $18⅛ after the company released a new chip. The Nasdaq composite index rose 23.73 or 1.2 per cent at 2,365.84.

*By early afternoon the* Dow Jones Industrial Average was down 48.43 or 0.5 per cent to 9,687.65 and the broader Standard & Poor's 500 index had lost 3.48 at 1,271.99.

In contrast, bond prices were higher, as traders awaited a series of economic figures, including retail sales and producer prices. The 30-year bond was up ⅛ to 95⅛, sending the yield to 5.59 per cent.

Small-company shares were higher with the Russell 2000 index up by less than one point to 398.92.

Two merger announcements did little to raise sentiment in the broader market. In the waste sector Allied Waste's $9.1bn takeover of Browning-Ferris sent Browning's shares $4⅝ higher to $39⅝ while Allied Waste gained $1⅛ to $16⅞.

The $2.6bn takeover of American Bankers Insurance by Belgo-Dutch giant Fortis sent ABI's shares $5⅝ higher at $52.

In the financial sector, Citigroup fell$¼ to $61½ after a report the company would pay a $30m separation package to Jamie Dimon, its former president.

Airline stocks were mixed after Salomon Smith Barney issued a series of ratings changes. Continental Airlines rose $⅞ to $43⅞ after Salomon upgraded the stock to "buy" from "outperform". AMR gained $¼ to $59⅞ after its first-quarter earnings estimate was lowered.

In the internet sector, OnSale climbed $7⅝ or more than 22 per cent to $39 after the company released new figures on online auctions.

*TORONTO* brushed aside Wall Street's uncertain early mood to push higher on a rally driven by the latest wave of US takeovers.

Newcourt Credit jumped C$1.40 to C$40.40 following a $4.2bn bid from CIT Group while a $200m offer from Homestake Mining sent Argentina Gold up C$1.85 to C$6.65.

A good day for bullion also helped lift golds. Barrick rose 70 cents to C$28 and Placer Dome added 45 cents at C$17.95. Among energy stocks, Renaissance put on 70 cents at C$15.30.

Banks were mixed. Royal Bank of Canada added 30 cents at C$73.90, but Bank of Montreal lost 10 cents at C$64.40.

## São Paulo awaits news of fresh IMF accord

**SAO PAULO** held steady as the market awaited news of Brazil's fresh accord with the International Monetary Fund and the Real rallied in the foreign exchanges. "We expect a statement today. It cannot come soon enough," said one broker.

Among blue chips, Petrobrás added 0.6 per cent to R$181, but Eletrobrás gave up 0.3 per cent at R$30.10 after the publication of its 1998 results. At midsession, the Bovespa index was up 63 at 9,538.

**MEXICO CITY** was also marginally ahead at midsession. Volumes were light but the IPC index managed to push up to 4,355.02, a gain of 27.22. Market leader Telmex improved 10 centavos to *29.10 pesos.*

**CARACAS** tracked the better showing for international oil prices, lifting the IBC index 45.18 or 1.2 per cent to 3,751.09 at midsession.

# Dax slides on Wall St fears

**EUROPE**

German equities mirrored the European trend, rising strongly in **FRANKFURT** at the start only to fall back from mid-morning onwards and stay negative for the rest of the session.

Turnover was below average as investors fretted about direction on Wall Street after a two-day advance of 459 points at the end of last week. At the close, the Xetra Dax index was off 49.39 at 4,791.43.

Telecoms were dull. Mannesmann gave up €2.04 at €117.86 while Mobilcom, one-time *darling of the Neuer* Markt, slipped a further €17 to €275.

The news that Siemens is to invest $1bn in the US and not the $3bn that had been widely rumoured last week prompted profit-taking. The shares lost €1.65 at €57.70.

**The FTSE Eurotop 300 index fell 8.77 or 0.71 per cent to 1,232.51. See Euro Prices page.**

Insurers, a weak market lately following negative comment on the sector, continued to slip. Allianz came *off* €4.50 *at* €278.50 *and* Munich Re lost €1.50 at €185.50.

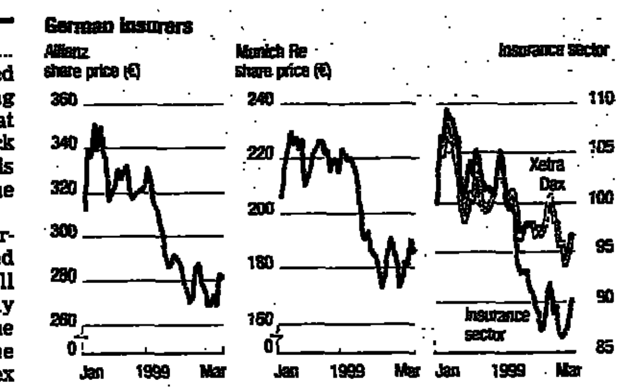
Bayer and BASF pushed higher ahead of results. The former added 20 cents at €32.35 and BASF improved 9 cents at €31.15.

**PARIS** woke up with a hangover after Friday's 2.4 per cent surge. The CAC-40 plunged nearly 1 per cent in morning trading before recovering in the afternoon. The blue-chip index closed 13.59 or 0.3 per cent lower at 4,175.97, with most stocks moving in a narrow range.

*High-tech companies* were ahead of the pack. Cap Gemini added €5 to €165.50 and STMicroelectronics rose €3.35 or 4.1 per cent to €86.

Banks had a mixed day after last week's gains. BNP retreated €1.60 to €78.40 and CCF was 45 cents lower to €83.45 while Société Générale added 40 cents to €148.10.

*Alcatel and Thomson CSF* both slid ahead of their 1998 results due later this week.




Source: Datastream/ICV

Alcatel shed €2.70 to €117.10 *while Thomson CSF* conceded 38 cents to €30.30.

**AMSTERDAM** finished 4.02 lower at 525.52 on the AEX index after touching a session best of 534.60.

News of a $2.6bn US acquisition that will be earnings enhancing "immediately" sent Fortis up 40 cents to €35.05.

Wolters Kluwer jumped €2.85 to €174.45 after a note from Morgan Stanley Dean Witter sparked switching in the media sector. The broker upgraded Kluwer to "outperform" but downgraded Elsevier, which fell 70 cents or 4.8 per cent to €14, to "underperform".

Heineken, which stood at €57.90 in January, added 20 cents at €43.70 after an upgrade to "strong buy" at Morgan Stanley Dean Witter. DSM shed €2.50 at €76.

**ZURICH** edged back during a very quiet session as the market *consolidated* Friday's 2 per cent gain. The SMI index closed 27.4 easier at 7,185.9.

Among the pharmaceuticals, Roche certificates gave up SFr260 to SFr18,440 as *investors grew cautious* ahead of today's 1998 results. Analysts have been forecasting a profits rise of about 3 per cent.

Ares Serono, also due to report 1998 data today put on SFr60 to SFr2,200 as last week's losses were judged to have been overdone. Group net profit is expected to fall *to around SFr70m from* SFr87m.

**MILAN** was weaker although foreign and domestic *demand supported* financials, particularly BCI and INA. The real time Mibtel index ended lower at 24,325.

BCI was one of only three blue-chip outperformers, closing 4.5 per cent higher at €6.16, off a high of €6.28. Analysts said the deal between Banca di Roma, ABN-Amro and Antonveneta *had cast doubt over the* planned merger between BCI and the Roman bank. In turn, this had ignited hopes for a merger with another partner. One possible candidate, Unicredito Italiano lost 1.2 per cent to €4.84.

INA rose 1.8 per cent to €2.47 in huge trade of 101m shares, boosted by talk that key shareholders may increase stakes after San Paolo-IMI raised its holding.

Telecom Italia lost 1.5 per cent to €9.55 and Olivetti was 4.2 per cent lower at €2.86. Telecom was said to be lining up a €20bn loan as part of its defence against Olivetti's bid.

*MADRID* slid 1.2 per cent, *languishing* at the bottom of the European league table amid fears of *currency turmoil in Brazil where the government is battling to secure* International Monetary Fund loans.

The general index shed 11.03 to 879.23 as investors reconsidered Spanish firms' exposure to Latin America.

Endesa, which is seeking full control of its Chilean subsidiary Enersis, lost a *key vote of Enersis share*holders last month. But the company said there had been errors in the ballot a challenge is expected.

**HELSINKI** closed 0.6 per cent higher with the Hex index up 37.32 to 6,334.81, boosted by strong gains in Pohjola, the country's second-biggest insurer.

*The company rose €3 or* 5.7 per cent to close at its session high of €56, after posting 1998 profits up 46 per cent and announcing the highest dividend in its history.

Market-driver Nokia helped keep the index in the black, erasing early losses to end 79 cents higher to €132.79.

**Written and edited by Jeffrey Brown, Bertrand Benoit, Paul Gregan and Mark Herlihy**

## All share enjoys sixth rise

**SOUTH AFRICA**

Shares in Johannesburg *continued to push higher,* gaining ground on the all share index for the sixth successive session.

*In good turnover of* R1.3bn, the benchmark managed to close 53.6 higher at 6,275.2.

Industrials set the pace, *adding* 1.5 per cent to *7,241.4.* Packaging group Nampak surged 6.7 per cent to R13.60. Financials gained 1 per cent to 9,495.6 and *golds put on* 1.4 per cent to 964.6.

**EMERGING MARKET FOCUS**

# Year of Mouse distracts HK

The Chinese year of the Rabbit has been good to Hong Kong shareholders. Since the lunar new year began on February 16, Hong Kong's *benchmark Hang* Seng index has risen 9.2 per cent and brokers are forecasting further gains.

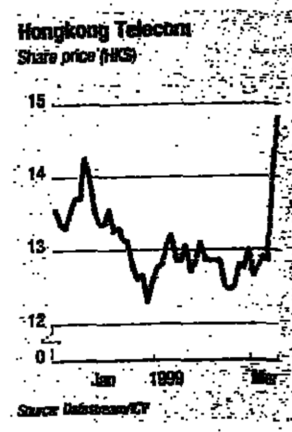
However, the climbing stock market is at odds with Hong Kong's sickly economy and a disappointing corporate earnings season that was scarred by big provisions and modest operating growth.

It has also failed to take account of dismal news from across the border, where Beijing is battening down *for a* period of slower economic growth.

None of this has deterred investors in recent weeks, however. The immediate focus has been on more *glamorous themes like* Mickey Mouse, Bill Gates and Cyberports.

The government's negotiations with Walt *Disney over* a proposed theme park sent property developers' *share* prices higher, especially those with interests on the island of Lantau, the planned site for the park.

Bill Gates, who flies into Hong Kong today to announce a strategic partnership with Hongkong Telecom, has also given a *boost* to the stock market.




Source: Datastream/ICV

Hongkong Telecom's share price has risen 15 per cent in the past two days in anticipation of the deal; and there has been some spill-over into *other computer-related* stocks. The Microsoft deal comes on top of plans announced by the Hong Kong government to build a HK$13bn Cyberport in the territory.

But while Hong Kong's gearing-up to meet the future has encouraged investors, the broader backdrop remains *bleak*. The interest rate sensitive Hong Kong market has been counting on more rate cuts. While these may still be forthcoming, they are likely to be more *modest in scope.*

Either way, cuts will be insufficient to turn the tide of rising real interest rates as deflation grips Hong Kong. This, coupled with the job insecurity, means home buyers are unlikely to jump into the market and thus bodes ill for Hong Kong's dominant property sector.

*Souring sentiment in the* sector has hurt a broad swathe of companies, including second and third-line manufacturers, retailers and industrial groups, all of whom branched out into *property* during the boom years when buying a factory led to quicker riches than operating it.

*Meanwhile, the Hong* Kong stock market remains under a cloud that the government has yet to dispel – the HK$150bn share portfolio built up by the government in August last year.

The government plans to reduce its equity holdings from 17 per cent of the Exchange Fund's assets to around 5 per cent.

The prospect of a sell-off, despite constant assurances that the disposal would be conducted in such a way as to avoid market disruption, haunts investors given the *substantial stakes* held by the government in Hang Seng index stocks.

**Louise Lucas**

# Tokyo slips back from 15,000

**ASIA PACIFIC**

Shares in TOKYO ended lower after *initially climbing* above 15,000 on the Nikkei 225 Average for the first time in almost three months, *writes Alexandra Nusbaum.*

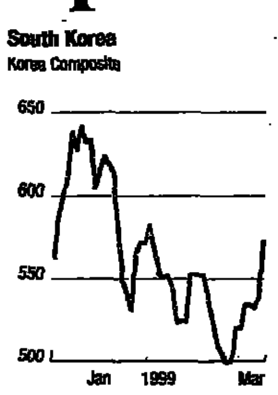
The benchmark, which had surged 5 per cent on Friday, closed at 14,779.05, down 0.77 per cent or 114.95, after trading between 15,116 and 14,779. The Nikkei 300 rose 0.11 to 229.36. The Topix index of all first-section shares rose 1.03 to 1,147.75.

Volume was heavy, with 649m shares traded. Momentum was down as 538 issues advanced and 658 declined.

The market rose in the *morning on the back of last* week's gains and a record performance by the Dow Jones Industrial Average. *However, concerns that* investors would unwind cross-shareholdings when the Nikkei rose above 15,000 pushed the market down.

In spite of the Nikkei's drop, the yield on the 10-year government bond rose to 1.63 per cent against 1.56 per cent on Friday.

The securities sector *surged 4.27 per cent, with* Daiwa Securities climbing 10.3 per cent or Y56 to Y542. Nikko Securities was up Y20 to Y390.




Source: Datastream/ICV

Industrial Bank of Japan rose Y18 to Y608. IBJ announced it would increase *domestic lending by* Y650bn next year to Y21,370bn.

Fuji Bank climbed Y4 to Y487. Fuji Bank said it *expected to post a parent net* profit of Y60bn in the year to March 2000, against an estimated net loss of Y380bn for the year ending *March 1999.*

Sumitomo Bank fell Y14 to Y1,391. Sumitomo Bank reported that problem loans were expected to total Y2,000bn for the year ending March 1999.

*Kawasaki Kisen, one of* Japan's largest ship operators, rose 8.8 per cent or Y19 to Y216 in anticipation of freight rate changes. NEC climbed Y5 to Y1,225. Toshiba closed up Y4 to Y774. Toyota rose Y30 to Y3,230.

*Shares in Osaka closed up* 210 at 15,580.

**SEOUL** washed away a difficult week to benefit from the delayed effect of Thursday's and Friday's surges on Wall Street. The composite index closed 33.65 or 6.3 per cent higher to 571.84 while the rest of Asia succumbed to profit-taking.

The sharp rise, partly boosted by retail and futures-linked buying, was most evident in cheaper bank and *construction* issues.

The banking sectoral index moved 10.7 per cent ahead, *with Kookmin Bank* ending Won880 higher to Won9,000.

Construction companies *rose an average 12.1 per* cent, with many stocks hitting their higher limit, such as Central Construction, up *Won690 to Won5,290.*

**BOMBAY** extended its post-budget rally to almost 15 per cent although the market ended off the top as some domestic institutional investors booked profits in *key stocks.*

The BSE-30 index closed 83.04 or 2.28 per cent higher at 3,732.10. Analysts noted that a number of sectors – including information technology, pharmaceuticals, housing finance and consumer goods – had rallied strongly in the wake of the market-friendly budget on February 27. Banks had joined the rally in response to subsequent cuts in interest rates.

**KARACHI** breached the 1,000-point barrier of the KSE-100 index for the first time this year as investor confidence was bolstered by reports that the 11-month-long tariff row between Hub Power and the government *might be near an end.*

The index closed 34.32 or 3.49 per cent higher at 1,018.71. Hub Power put on *20 paise to Rs15.90 after* being as high as Rs16.50 at one point, although it did not confirm the reports.

*SYDNEY pared early gains* but still ended comfortably ahead, with the All Ordinaries index up 27.1 at 2,929.6 after coming within 11 points of last month's record high with a session peak of 2,937.7.

Firm bonds helped lift banks. NAB added 43.5 at A$27.79. Telstra rose 16 cents *to A$8.76 ahead of* Thursday's interim results, while Coles Myer, which reports tomorrow, gained 11.3 cents to A$8.67.